# FINANCIAL TIMES

**Growth pause**

*Is the world economy slowing?*

**Samuel Brittan, Page 12**

**Smelly-tech**

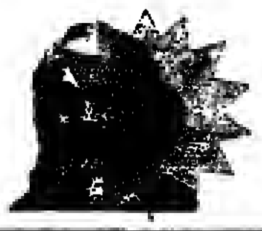
*Towards the electronic nose*

**Technology, Page 10**

**Sorry!**

*Behind Japan's war apology*

**Page 8**



**Glitz blitz**

*Admen come to eastern Europe*

**Page 13**

World Business Newspaper — THURSDAY JUNE 8 1995 — D8523A

## Clinton vetoes $16.4bn budget cuts package

US president Bill Clinton exercised the first veto of his term in office, setting the stage for further confrontations with the Republican-controlled Congress. He returned to Capitol Hill unsigned a $16.4bn package of spending cuts from the current year's budget on the grounds that the bill reduced social programmes, especially in education, while preserving questionable public works projects sponsored by individual members of Congress. Page 14

**Calpers plans overseas campaign:** The California Public Employees' Retirement System, a leading force in shareholder activism in the US, is likely to start a corporate governance campaign overseas. Page 14

**Spain told to justify Seat aid:** The European Commission gave the Spanish government a week to justify Pta45bn ($371m) of subsidies to Seat, Volkswagen's loss-making subsidiary, or face an investigation which could force repayment of the aid. Page 14

**Suez moves to thwart takeover:** French industrial and financial holding company Suez confirmed it was in talks with retailing group Pinault Printemps Redoute which could lead to a restructuring to thwart a possible takeover of Suez by Banque Nationale de Paris and Union des Assurances de Paris. Page 15

**Scott arms-to-Iraq inquiry clears Thatcher**

Former British prime minister Baroness Thatcher (left) has been exonerated by the Scott arms-for-Iraq inquiry of any blame for giving an "inaccurate" statement about government policy on arms sales. Sir Richard Scott, the judge heading the inquiry, wrote to Lady Thatcher's office making clear that newspaper reports yesterday claiming that his draft report criticised the former prime minister were wrong. Page 9

**Israel approves trade pact with EU:** Israel approved a draft trade association agreement with the European Union but said final ratification depended on the EU meeting several conditions. Page 6

**Alcatel in bid for frigate contract:** Alcatel Alsthom, French transport, telecoms and engineering group, formed a consortium with VSEL of the UK and Electronic Data Systems of the US to bid for the communications system contract for the planned Horizon frigate. Page 6

**Hambros halves dividend:** UK merchant bank Hambros halved its dividend as it reported annual pre-tax profits down 58 per cent to £37.1m ($58.2m), their lowest level in 10 years. Page 15; Lex, Page 14

**IMF warns Israel over growth:** The International Monetary Fund warned that Israel's widening current account deficit, high inflation, fiscal slippage and fall in domestic savings threatened the country's economic growth. Page 4

**Japanese cities top cost survey:** Toyko and Osaka/Kobe in Japan are the world's most expensive cities, with living costs more than double those of New York, the Economist Intelligence Unit's latest cost of living survey shows. Page 4

**New Zealand inflation rate rising:** New Zealand's underlying inflation rate may exceed 2 per cent in the current quarter, breaching the official target, Reserve Bank governor Donald Brash said. Page 8

**Keating outlines plans for republic:** The Australian government aims to hold a referendum in 1998 or 1999 on whether to cut ties with the British monarchy, prime minister Paul Keating said. If Australians were in favour, a presidency would come into effect by 2001. Page 8

**Argentine students face fees:** The Argentine government sent a controversial bill to Congress that would allow public universities to charge fees. Page 5

**Telewest poised for merger:** Telewest, Britain's biggest cable operator, is poised to merge its interests with those of SBC Cablecomms, the UK's fifth largest group, in a deal worth about £690m ($1.1bn). Page 15

**Forces' ban on gays stays:** A ban on homosexuals and lesbians serving in the UK armed forces was upheld by the High Court, which dismissed test case applications for judicial review brought by four victims of the automatic ban.

■ STOCK MARKET INDICES

| New York lunchtime | | |
|---|---|---|
| Dow Jones Ind Av | 4,467.91 | (-17.29) |
| NASDAQ Composite | 882.33 | (+2.93) |
| **Europe and Far East** | | |
| CAC40 | 1,974.69 | (+8.75) |
| DAX | 2,141.07 | (-5.33) |
| FT-SE 100 | 3,378.8 | (-9.2) |
| Nikkei | 15,679.6 | (+18.63) |

■ US LUNCHTIME RATES

| | |
|---|---|
| Federal Funds | $6\frac{1}{16}$% |
| 3-mth Treas Bills: Yld | 5.639% |
| Long Bond | $114\frac{7}{8}$ |
| Yield | 6.484% |

■ OTHER RATES

| | | |
|---|---|---|
| UK: 3-mo Interbank | $6\frac{5}{8}$% | ($6\frac{19}{32}$%) |
| UK: 10 yr Gilt | $105\frac{1}{32}$ | ($105\frac{3}{4}$) |
| France: 10 yr OAT | 101.21 | (101.55) |
| Germany: 10 yr Bund | 102.49 | (102.72) |
| Japan: 10 yr JGB | 113.162 | (113.50) |

■ NORTH SEA OIL (Argus)

| | | |
|---|---|---|
| Brent 15-day (Jul) | $17.96 | (17.86) |

■ GOLD

| New York: Comex | | |
|---|---|---|
| Aug | $389.5 | (387.8) |
| **London:** | | |
| close | $385.9 | (384.45) |

■ DOLLAR

| New York: lunchtime | | |
|---|---|---|
| £ | 1.5925 | |
| DM | 1.408 | |
| FFr | 4.9455 | |
| SFr | 1.1575 | |
| Y | 84.205 | |
| **London:** | | |
| £ | 1.592 | (1.5879) |
| DM | 1.4074 | (1.4188) |
| FFr | 4.95 | (4.9725) |
| SFr | 1.1579 | (1.171) |
| Y | 84.34 | (85.235) |

■ STERLING

| | | |
|---|---|---|
| DM | 2.2406 | (2.2528) |
| Tokyo close: | Y 84.68 | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch35 | Greece | Dr400 | Malta | Lm0.60 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Morocco | MDh15 | S.Arabia | SR11 |
| Belgium | BFr70 | Hungary | Ft185 | Neth | Fl 4.25 | Singapore | S$4.30 |
| Bulgaria | Lev110.00 | Iceland | IKr220 | Nigeria | Naira90 | Slovak Rp | KSL60 |
| Cyprus | C£1.10 | India | Rs75 | Norway | NKr18.00 | S. Africa | R12.00 |
| Czech Rp | CZK55 | Israel | Shk7.90 | Oman | OR1.50 | Spain | Pta225 |
| Denmark | DKr17 | Italy | L3090 | Pakistan | Rs40 | Sweden | SKr17 |
| Egypt | E£5.00 | Japan | Y500 | Philippines | Pso50 | Switz | SFr3.60 |
| Estonia | EKr 20 | Jordan | JD1.50 | Poland | Zl 42,000 | Syria | S£50.00 |
| Finland | FM15 | Kuwait | Fils.625 | Portugal (inland) | Es230 | Tunisia | Din1.600 |
| France | FFr10.50 | Lebanon | US$1.50 | | | Turkey | L55,000 |
| Germany | DM3.80 | Lux | LFr70 | | | UAE | Dh12.00 |

# Move to boost IMF crisis funds

## G7 officials pressing for new mechanism to cope with Mexico-style emergencies

By Peter Norman, Economics Editor, in London

The world's seven leading industrial countries are set to press for a new "emergency financing mechanism" at the International Monetary Fund to tackle future financial crises such as that which engulfed Mexico six months ago.

The "sherpas", the senior officials preparing next week's G7 economic summit in Halifax, Nova Scotia, have agreed that 11 big industrialised countries and other financially powerful states should double an existing $28bn pool of funds that they are prepared to lend the IMF to finance rescue operations.

This agreement at the level of officials was disclosed yesterday after a Canadian opposition party, the New Democratic party, leaked a rough early draft of the communiqué that is due to be released on June 16 after the economic discussions at the summit.

It goes substantially beyond plans to strengthen the IMF's early warning system agreed by finance ministers representing the Fund membership in April.

The text disclosed yesterday was drawn up by the sherpas after their final pre-summit meeting in May, and contains some differences of opinion. A final draft, being prepared by the Canadian government, will be submitted to the leaders of the US, Japan, Germany, France, Britain, Italy, Canada and the European Commission next week. However, the leaked document reveals a high level of agreement among the G7 countries on the lessons of the Mexican crisis for the IMF and the international community.

If adopted by the summit, the G7 leaders will urge the IMF to adopt a new standing procedure – the emergency financing mechanism – that will provide countries suffering a Mexico-style crisis faster access to Fund finance.

The text makes clear large sums will be made available quickly "on a scale and with the timeliness to manage shocks effectively" but subject to tough economic policy conditions. Just how much may be involved is highlighted by the sherpas' proposal that the G7 should recommend a "doubling as soon as possible" of the $28bn currently available for the IMF through the "general arrangements to borrow".

These are funds the 11 member states of the confusingly named Group of 10 industrialised countries and Saudi Arabia are willing to lend to the IMF.

The draft also raises the possibility that the IMF may need even more resources to cope with crises. "We would encourage further review by G10 ministers and [central bank] governors of other, market-based, mechanisms that might usefully be considered for an orderly resolution of crisis situations," it says.

The text emphasises that prevention of crisis is the preferred course. In this spirit, it endorses the approach taken by Russia and Ukraine, which are implementing economic reform programmes.

However, it is also apparent differences exist among the G7 over whether to make an explicit commitment of support for an additional $2bn for Ukraine from international financial institutions such as the IMF and World Bank by the end of 1996.

This, together with the observation that Ukraine has already received commitments totalling $3.75bn, is included in a square bracket in the text, signifying an item on which the sherpas could not agree.

# Italian fashion designers face tax trial call

By Andrew Hill in Milan

A Milan prosecutor yesterday called for the trial of several of Italy's best-known fashion designers for allegedly bribing Italian tax inspectors to avoid rigorous audits of their businesses.

Mr Giorgio Armani, Krizia (the designer Mr Mariuccia Mandelli) and Mr Santo Versace, brother of Mr Gianni Versace, are among 25 people – including members of the tax police, the Guardia di Finanza – accused of involvement in the scandal.

Many of the designers were questioned by Milan magistrates last autumn, in a burst of unwelcome publicity just ahead of the Milan fashion shows. They reacted to yesterday's news with a series of terse statements.

"The news is no surprise – it's a perfectly normal formality in a legal process which the press has already fully and exhaustively covered," said Mr Armani, who is alleged to have paid L100m ($60,900) to Mr Carlo Capitanucci, a Guardia di Finanza colonel.

Mr Maurizio Bozzato, lawyer for Mr Santo Versace, who runs the Gianni Versace business, said: "We are confident that a final clarification of the matter will soon be achieved."

Mr Santo Versace allegedly paid a bribe of L270m for a tax audit which took place in 1990. Prosecutors also called for the trial of the designers Mr Gianfranco Ferrè and Mr Girolamo Etro, and of Colonel Capitanucci himself.

Last year's questioning of the fashion designers opened Milan's pool of anti-corruption magistrates to accusations that they were deliberately trying to make an example out of high-profile figures, rather than pursuing investigations into less well-known business sectors. The Milan fashion world rallied to the designers' defence and the autumn shows passed off successfully.

In a parallel investigation into the bribing of tax police, Milan prosecutors have also called for the trial of Mr Silvio Berlusconi, the Italian media magnate and

Continued on Page 14

# Russia and US split on Nato's role in Bosnia

By Our Foreign and Political Staff

Signs emerged yesterday of a sharp difference between the US and Russia over how much involvement Nato should have in military operations in Bosnia.

The rift became clear as three more UN peacekeepers - from France, Spain and Brazil - were released from custody by the Bosnian Serbs, and a Belgrade news agency said another 50 of the remaining 144 hostages could be freed soon.

Mr Andrei Kozyrev, Russia's foreign minister, said in London he was relieved to hear from UK officials that a Western plan to send 10,000 extra troops to Bosnia was not a Nato initiative.

"I was briefed and assured that it [the reinforcement] is not Nato," Mr Kozyrev said after two days of talks with the British government. "It is just an effort by a number of countries to reinforce Unprofor [the UN protection force] within the present mandate." He said Russia would accept the planned reinforcements as long as their purpose was that of "strengthening the UN's ability to fulfil its present mandate" and nothing more.

In Washington, however, senior administration officials yesterday told a sceptical Congress that any involvement in Bosnia by US troops would be under the aegis of Nato, as opposed to the UN.

Senator Bob Dole, the leader of the Republican majority, demanded even stronger assurances on the primacy of Nato, the US-led alliance whose commanders have often called for tougher tactics against the Bosnian Serbs.

Washington has always stressed that Nato would have to be in charge of any full-scale evacuation of peacekeepers from Bosnia, an operation which would require up to 25,000 US troops. Yesterday, Mr William Perry, the defence secretary, said any US involvement in operations short of a full-scale pullout would also take place under Nato's umbrella.

Describing the circumstances in which the US might become involved, Mr Perry said: "We should be prepared to assist Nato in an emergency extraction of units, whose positions bad become untenable, to points of safety in Bosnia."

In New York, a senior representative of the UN said he had agreed with British, French and Dutch officials that the reinforcements would operate strictly within the framework of the current peacekeeping operation.

The US has pledged to provide air cover for the extra troops which the three European allies are sending to Bosnia. It is expected to set tough terms for the use of its aircraft, including strong "rules of engagement" to allow its pilots to defend themselves.

Senator Dole attached three conditions to the use of US troops in Bosnia: Nato command

Continued on Page 14

# Taiwan's president on visit to US

President Lee Teng-hui left Taipei with his wife yesterday for an "unofficial" trip to the US. The visit, the first by a Taiwanese president, has angered Beijing, which has threatened Washington with retaliation if Mr Lee meets US officials. Lex demands "the impossible", Page 8

# Sandoz in dual-sale plan for industrial chemicals arm

By Daniel Green in London and Ian Rodger in Zurich

Sandoz, tbe Basle-based chemicals and health products group, is launching a global share offer for its industrial chemicals division at the same time as trying to sell it to another company.

The sale of the division, to be named Clariant, will be worth up to $1.5bn. This would make it one of the largest offerings ever, apart from privatisations.

Sandoz said its novel two track sale strategy was designed to avoid the pricing problems that have often afflicted large share sales in the past.

Sandoz would not say which potential purchasers it was in talks with. Other large chemicals groups, such as Hoechst of Germany or Sandoz's Basle neighbour, Ciba, have been mentioned.

Asked whether the flotation or a private sale was the most likely outcome, Mr Raymond Breu, Sandoz finance director, said: "Both . . . are possible." The countdown to flotation starts today with a so called "price discovery" exercise. Clariant's directors will visit institutional investors throughout the world and ask them to indicate what they might offer for the shares.

On June 15, Sandoz and its global co-ordinators, Union Bank of Switzerland and S.G. Warburg Securities, will set a price range for the share sale and begin book-building, in which the shares are marketed to investors within a price range.

If there is no trade buyer, the final price for the global offer will be set on June 26. During the following two days, there will be a Swiss public offer of 40 per cent of the shares.

Sandoz announced in March it would spin off its industrial chemical division to concentrate on its core drugs and nutrition businesses.

A free distribution of Clariant shares to Sandoz shareholders was ruled out as it would have left recipients subject to a 35 per cent Swiss withholding tax on their value. Clariant makes dyes and chemicals for textile, leather and paper, as well as pigments and additives and the so-called masterbatches for colouring plastics and synthetic fibres.

Operating profit last year was SFr214m ($178.3m) on sales of SFr2.33bn. A pro-forma December 31, 1994 balance sheet shows assets of SFr2.44bn and SFr730m of debt supported by SFr959m of equity.

Mr Rolf Schweizer, chief executive of Sandoz, will be chairman of Clariant and Mr Martin Syz, current head of the chemicals division, will be chief executive.

The shares will be quoted on the Zurich stock exchange and traded on the London Stock Exchange's SEAQ International system. There will not be any voting or ownership restrictions.

Sandoz would not say how it would use the proceeds from the sale of Clariant.

Sandoz pursues a foreign formula, Page 15; Lex, Page 14

CONTENTS

## Chairman hails employees' readiness to cut deal on work hours

# Opel set to win big concessions

By Christopher Parkes in Frankfurt

Adam Opel, the German subsidiary of General Motors, expects to win valuable concessions from its workforce during negotiations over a DM6bn ($4.3bn) investment programme in new car models.

Although talks on flexible working hours and the temporary renunciation of the overtime ban – a favourite union negotiating tool – are incomplete, Mr David Herman, Opel chairman, was yesterday confident of success.

"What this shows is that at the local level [union] people are really concerned about Germany's future as a place to make things and are increasingly prepared to be reasonable," he said.

"The world has the impression that German workers are not flexible, when in fact they are very flexible. Our complaint has always been that we have to pay so much for the flexibility."

An important factor in the talks was the possible loss of a contract to supply Cadillac, one of Opel's more glamorous sister companies in the US, with Omega platforms and engines as the basis for a new model, the Catera. The project had been put at risk by the slump in the value of the US dollar against the D-Mark, Mr Herman added.

The main element in the package under negotiation with works councils at Opel's four German vehicle and component plants is an arrangement under which employees will work up to 39 hours a week at times of peak demand, and as little as 31 hours in slack periods.

Averaged out to conform with a national agreement on a 35-hour week for engineering workers, this would reduce payroll costs by about DM25m a year, Mr Herman claimed. It would remove the need for special bonuses during cyclical demand peaks in the spring and autumn and short-time payments at other times, he said. Such a deal would also help the group make optimum use of its plant without the need for Saturday working.

Mercedes-Benz, which recently warned that production capacity would increasingly be shifted out of Germany unless ways were found of mitigating the impact of the D-Mark's strength, has run into stout union resistance to its request for routine Saturday working at normal pay rates.

The expected withdrawal of the overtime ban from the unions' armoury until the end of 1996 will be especially helpful during the transition at the Bochum plant to the next generation of the top-selling Astra, which is due in 1996/97.

The bans, relatively common in the past, but usually short lived because employees miss the overtime pay, can cut production by 1,000 cars a week.

According to Mr Herman, progress in negotiations with the unions showed the workforce had accepted it was time to "turn swords into ploughshares".

The DM6bn investment programme – mainly on setting up for the new Astra and Vectra models – was never really "on the line", but the noisy public debate over the risks to jobs incurred by the strong D-Mark and an unexpectedly high national wage settlement this year had helped the talks.

A further factor was a one-off bonus of DM350 per worker, costing DM19m, in recognition of last year's 10 per cent increase in productivity.

# Outsider named to fill breach at Enel

By Andrew Hill in Milan

The Italian government yesterday appointed an outsider as deputy chairman of Enel, the state-owned electricity company, to dispel fears that the group's slow progress towards privatisation could be disrupted by the suspension of its chairman.

Mr Lamberto Dini, prime minister, named Mr Natalino Irti, a lawyer and well-known public-sector manager, only two days after a Milan judge suspended Mr Franco Viezzoli from his managerial role.

Mr Viezzoli, who is to appeal, was one of 160 people sent for trial last month on charges of corruption, linked to bribes of L100bn ($60m) allegedly paid on Enel contracts.

Enel shares are due for sale later this year or early next, as are those of Eni, the energy and chemicals group, and the next tranche of Stet, the telecommunications holding company. But Mr Viezzoli's suspension has added to the strain on the privatisation programme.

Mr Dini said the appointment of Mr Irti, a former chairman of Credito Italiano, the bank privatised in 1993, reflected the fact "that Enel's chairman is barred from carrying out his own duties". Mr Irti would "guarantee institutional continuity at [Enel], which is committed to the delicate process of privatisation". No time limit was set on his stay.

On Tuesday, the Treasury was forced to clarify its position on state sales after Mr Enzo Berlanda, chairman of Consob, Italy's stock exchange watchdog, criticised plans to place with a group of stable shareholders some of the Treasury's remaining 27 per cent stake in Imi, the banking group, and 52 per cent stake in Ina, the insurer.

The private placements should in theory take place in the next few weeks, and the Treasury said it intended the sale to reach "the greatest number possible of Italian and foreign shareholders".

The prospect that a sale to selected buyers could strengthen the growing network of share links between Istituto San Paolo di Torino, one of Italy's biggest banks, Imi, Ina and other Italian and foreign financial groups, has alarmed some critics of the privatisation programme.

The Treasury added that its tactics were in line with the plans for a second phase of privatisation announced last year when the public offers of Imi and Ina shares were carried out. It would ensure the privatised companies' autonomy by asking buyers "not to act together in an organised way".

# Germans outline plans to draw EU nations closer on defence

By Michael Lindemann in Bonn

Mr Volker Rühe, the German defence minister, last night outlined an ambitious agenda for further European co-operation on defence matters ahead of next year's intergovernmental conference on the future of the European Union.

Speaking to Nato defence ministers before today's meeting in Brussels, Mr Rühe set the long-term goal of a full-scale merger of the EU and the Western European Union, the defence organisation which groups 10 of the EU's 15 members.

He also urged the 15 EU members to do away with the principle of unanimity on defence and foreign policy decisions and agree that a majority of countries – what Mr Rühe referred to as a "coalition of the willing" – could proceed with military operations on behalf of the Union.

Mr Rühe's proposals are sure to meet opposition from the British who have so far ruled out any talk of majority voting on defence and security issues.

However, Mr Rühe drew a distinction between the requirement of unanimity and the right of veto – implying that, at least for a transitional stage, the former might be dropped and the latter retained. If this approach were adopted, individual countries would be able to abstain from approving, or participating in, military missions.

In a gesture of conciliation towards countries such as Britain which maintain a cautious attitude towards the integration of European defence, Mr Rühe said the merger of the EU and the WEU should not be driven by any deadlines.

Defence minister Volker Rühe: laid ambitious agenda before Nato colleagues *Pat Braun*

"For obvious political and legal reasons [the merger] cannot be achieved during the intergovernmental conference. We should proceed with realism and pragmatism," he said.

Mr Rühe said defence policy should be formulated on an intergovernmental basis – a formula which will be welcome to Britain and France, both of which have opposed the subordination of defence matters to the European Commission.

He said the European Council, the institution which brings together the EU's 15 heads of government, should be given a bigger say on defence. "Decisions [on defence and foreign policy] should be with the European Union. Implementation with the WEU."

Britain has suggested that all European Council meetings should be followed up by separate, 16-nation summits attended by the full members, associates and observers of the WEU. This has been criticised in France and Germany as a move to downgrade the European Council. Britain argues that as long as four of the EU member states are neutral, there is a limit to how much say the Union leaders can have over defence.

Observers said that while Mr Rühe's comments about the need to dispense with unanimity were not surprising, his public support is important because a solution to the thorny issue of the veto on defence matters might also herald a breakthrough for other areas of EU policy such as monetary union.

In line with other German and EU politicians, Mr Rühe argued that the changes within the EU, including its merger with the WEU, should be coupled with a new document which defines the relationship between the EU and the US.

Such a document, which he referred to as a "transatlantic covenant or charter" would deal with the political, economic and security elements of the future relationship.

# Portugal warned poor education system threatens state's advance

By Peter Wise in Lisbon

Portugal's efforts to catch up with the rest of Europe will depend increasingly on improving a deficient education system and boosting workforce skills, according to a report by the Organisation for Economic Co-operation and Development.

Labour-intensive manufacturing based on low wages and unsophisticated products has enabled Portugal to keep unemployment lower than in other countries, but improving national income and productivity will require a better educated workforce, it says.

"Portugal faces the challenge of shifting industrial specialisation towards higher value-added production, while at the same time preventing a rise in unemployment for those with low and middle qualifications," says the OECD.

Education was deliberately neglected by the Salazar dictatorship in order to inhibit political opposition. A leftwing revolution in 1974 led to upheavals that beset schools and universities for a decade. According to the report, the education system has improved significantly since 1985, but schools continue to turn out large numbers of people with low skills.

Compulsory schooling for nine years, to the age of 14, was introduced only in 1987. Almost a quarter of young people abandon their education early. The OECD suggests that an extra two and a half years of compulsory education – bringing Portugal up to the OECD average – could increase productivity levels by between 13 and 26 per cent.

Portugal's illiteracy rate has fallen from more than a third of the population in 1960 to 6.5 per cent, but one in five people over the age of 50 cannot read or write.

Government spending on education was $2,551 per student in 1991. This was $1,004 less than the European Union average, but slightly more as a proportion of gross domestic product.

The report says a study last year of the country's strengths and weaknesses found "insufficient education and training of the workforce" to be the most widely cited barrier to improving productivity.

The OECD recommends Portugal to improve the management of its education system, widen access to vocational training and strengthen incentives for young people to participate. Foreign companies, it suggests, could play a pivotal role in changing attitudes.

It sees better education as essential for the efficiency gains Portugal requires to resume economic growth above the EU average. Investment growth since 1986 has generated a faster pace of job creation than elsewhere in Europe, but real income convergence has stalled over the past two years.

Gross national product growth should accelerate from 1.2 per cent in 1994 to 2.9 per cent this year, the best performance for five years, and reach 3.2 per cent in 1996.

# Banker and broker fever grips Russia

Last autumn Russia's infant capital markets experienced something akin to spontaneous combustion. The excitement caused by the mass privatisation programme, the unleashing of long-suppressed entrepreneurial activity, and a flurry of animated circulars from foreign stockbrokers ignited interest in the minuscule markets.

But the flames were quickly doused. Some worrying ministerial talk of re-nationalisation, the Chechen conflict, and the aftermath of the Mexican financial crisis led to a 70 per cent fall in the market in six months.

Now interest in Russia's capital markets is re-emerging as the early arrival of summer brings fresh optimism and the economy begins to stabilise. A longer slower burn in the markets is now expected and battle has been joined by a hustle of young bankers and brokers, short on experience but long on ambition, to gain a slice of that growing business.

But Russia is a market like no other where capitalist concepts such as price, ownership, and corporate governance are still hazy and where the distinctions between banks, stockbrokers and fund managers are blurred. The most energetic participants can earn salaries comparable with those on Wall Street. But as the recent gun attack on the Russian head of the Grant stockbroking business confirms, the struggle can also have a chilling edge.

The foreign banks, which dominated the first wave of stock market activity, are still the leading force in the market. Though hit by the defection of almost all its senior personnel in Moscow, CS First Boston remains a formidable presence operating from its plush but half-deserted offices. However, Brunswick, a privately-owned European bank chaired by Mr Gerard de Geer, the former head of the Swedish Enskilda bank, has probably overtaken it in terms of share of stock market trades.

Yet Brunswick will not be able to preen itself for long. Morgan Grenfell, backed by Deutsche Bank, has signalled its ambition to grow into a substantial player while Barings Securities, which had only just opened an office in Moscow before its parent bank's collapse, has been subsumed into ING's sizeable operations.

Other banks are also moving in to pick up lucrative advisory work. Kleinwort Benson, the British merchant bank, has opened an office to service its Russian clients – most notably Gazprom, the big gas producer. "Russia is a market which no serious merchant bank can afford to ignore," says Lord Rockley, Kleinwort's chairman.

Yet the big US players, such as Goldman Sachs, Morgan Stanley, Salomon Brothers and Merrill Lynch are content to wait on the sidelines – although some have acquired prestigious advisory mandates. They are likely simply to throw capital at the Russian market to build a presence should they ever decide it grows serious enough.

But the centre of gravity in the Moscow market may well be tipping towards the domestic operators able to exploit the growing pool of Russian capital. Troika-Dialog, a US-Russian brokerage, has been active in the market for several years, particularly in the government debt market. Mr Hans-Jörg Rudloff, who built the euromarkets in the 1980s and led CS First Boston's drive into eastern Europe, has also founded a joint venture securities house, United City Bank, to act as a bridge between foreign and Russian capital.

| RUSSIA'S TOP-RATED SECURITIES FIRMS | |
|---|---|
| 1 Brunswick Brokerage | European |
| 2 CS First Boston | Swiss/US |
| 3 Troika Dialog | US/Russian |
| 4 Zerich | Russian |
| 5 Grant | Russian |

*Ranking based on the views of market participants, May 1995.*
*Source: AK&M information agency*

Some of Russia's several hundred brokers are growing increasingly sophisticated but they may be dwarfed by Russia's leading banks which want to get involved. Some are believed to be looking to repatriate parts of Russia's enormous flight capital and "legitimise" the money by buying corporate assets. Others simply see it as good business as Treasury bill yields fall and currency speculation grows less attractive.

The rate of the Russian banks' development has been extraordinary and they are likely to emerge as formidable competitors. Four years ago, Russia possessed only a handful of state banks; there are now more than 2,500 run by a wild assortment of former theatrical impresarios, cosmonauts, ex-KGB agents and one-time barrow boys.

**Interest in Russia's capital markets is re-emerging as the economy begins to stabilise, writes John Thornhill**

Mr Lou Naumovski, head of the European Bank of Reconstruction and Development's Moscow office, which is helping develop local financial institutions, says: "There are some preposterous examples out there of people who have started banks defying logic and probability but they have matured over time and become much more realistic."

The biggest and the best of them have already grown into relatively sophisticated businesses which have ambitions to resemble the "universal banks" of Germany or Japan. Some of them, such as Oneximbank and Menatep, are now intent on expanding into the securities market combining commercial and investment banking activities.

Oneximbank is likely to form a banking venture with Mr Boris Jordan and Mr Steven Jennings, the two former heads of CS First Boston's Moscow office. Kommersant newspaper has already labelled the venture CS Second Boston or CS First Boris.

The rival Menatep bank has created the Alliance investment bank, capitalised at $10m, in which it holds a majority stake. Mr Yuri Milner, chief executive of Alliance, says: "Last year Russians had very little confidence in their own economy and they could not understand why all these foreigners were buying shares. But they now understand and want to become big players."

Mr De Geer, of Brunswick, welcomes the increasing involvement of domestic institutions saying it would only be natural for Russians eventually to dominate their own market. "You have to have strong Russian players and strong international players to make a market," he says. "The increase in the number of serious players is good for liquidity and professionalism. The more the merrier."

# Judgment day looms for fiery central banker

By John Thornhill in Moscow

**Mrs Tatyana Paramonova, the formidable acting head of Russia's central bank who has impressed her friends and irritated her foes in almost equal measure, should find out tomorrow whether she can stay in her job.**

**Parliament will vote whether to approve her nomination, which has been backed for a second time by President Boris Yeltsin.**

**Mrs Paramonova, a devoted bank servant who combines a sound grasp of technicalities with a famously terrifying stare, was previously rejected while deputies were still fuming about last October's rouble crash.**

**Her cause was further damaged by the constitutional row that erupted over Mr Yeltsin's attempt to sack her predecessor, Mr Victor Gerashchenko.**

**Mrs Paramonova has since won praise for her fierce determination in fighting inflation. Even so, approval of her nomination this time seems finely balanced.**

**It is perhaps the fate of central bank governors to be unloved, but in her short time at the top Mrs Paramonova has attracted many brickbats. She has particularly irritated the country's banking association with strict new reserve requirements to weed out their weaker members. Ominously, on Tuesday the parliamentary budget committee voted 12 to 10 against her confirmation.**

**But some politicians have been impressed by her appetite for confronting these lobby groups and resisting demands for inflationary credits. Under Mrs Paramonova's guidance, Russia's money supply grew at a relatively modest 3 per cent a month in the first quarter, helping to prick the inflationary bubble.**

**Mr Yegor Gaidar, the former prime minister and leader of the Russia's Choice faction who previously voted against her, said yesterday he would support her. Her consistent financial policy should be positively assessed, he said.**

**Mrs Paramonova is a rare woman in Russia's corridors of power and rumours of internal feuds within the bank's grandiose headquarters on Neglinnaya Street have been circulating for weeks. One official privately voiced his objections to her confirmation saying: "She is a woman. She is weak. She is only a bookkeeper." Mr Alexander Khandruyev, the first deputy chairman of the bank, has felt obliged to deny publicly that he was at odds with Mrs Paramonova over spheres of influence.**

**International financial institutions, such as the World Bank and the International Monetary Fund, have been full of praise for her abilities, saying she is a breath of fresh air after her Soviet-minded predecessor. The thick-skinned Mr Gerashchenko used to revel in being dubbed the "world's worst central banker" by Mr Jeffrey Sachs, the Harvard economist, who previously advised the government. Mr Sachs frequently chided him for his lack of knowledge of basic economics.**

**It is not clear what will happen if parliament again rejects Mrs Paramonova's candidacy. Theoretically, Mr Yeltsin would have to propose someone else, although he may simply choose to persevere with her as an acting head.**

**There is certainly much work left to do. Mrs Paramonova has made little impact in her other capacity as chief regulator of Russia's 2,500 volatile banks.**

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# Nordic countries set the standard for power market

**Christopher Brown-Humes on creation of world's largest deregulated electricity sector**

If the European Union ever gets serious about opening its electricity markets to competition, it could do worse than consider the example of the Nordic countries where deregulation is already far advanced.

Norway and Finland have already liberalised their power markets and Sweden plans to do so from January 1 1996. Now what they want to do is facilitate cross-border trade between the three countries, creating the world's largest deregulated electricity market in terms of power consumed.

Deregulation opens up the electricity grid to anyone who wants to access it and breaks down the traditional system where power producers and distributors enjoy regional monopolies. This gives customers the chance to shop around for the best deals, giving any user the right to buy power from any supplier.

The first Nordic cross-border deals are already being struck. The most striking examples were announced last month when two big Finnish groups, Outokumpu and Enso-Gutzeit, signed long-term power supply deals with Vattenfall, Sweden's biggest electricity producer. This will be the first time industrial consumers in one EU country have bought electricity directly from a producer in another.

Apart from the UK, the Nordic states are the only European countries to have taken electricity deregulation so far. They have seen the benefits of liberalisation in other sectors, such as telecommunications, and, with more electricity producers and distributors than most other European countries, they already have a framework in place to promote competition. The big power groups have not tried to block deregulation as they have done in other European countries.

But the Nordic effort is also being driven by broader strategic imperatives. Sweden is committed to phasing out its 12 nuclear power plants, which produce half its electricity, by the year 2010. Finland has decided against building a fifth nuclear power plant, but will need to find alternative sources of energy. The hope is that a more efficient electricity market will postpone the need to build additional power plants to make up for energy shortfalls.

Deregulation is altering patterns of behaviour even before a common electricity market has been established. The big producers are frantically trying to prevent their traditional industrial customers from defecting to other companies. That means they are offering longer, cheaper, and more extensive deals to their clients than in the past.

"The biggest industrial customers have been offered prices 10 to 20 per cent lower than before," says an industry analyst who adds that deregulation is already creating more uniform prices. Electricity, excluding grid charges, now costs about SKr0.20 per kilowatt hour throughout the region, a low level by international standards. In the UK, for instance, it is equivalent to SKr0.30 – and the UK is itself low by international standards.

But the benefits have yet to be felt by private customers. In theory, they too can switch to a different power supplier, although in practice, the cost of installing new meters is likely to outweigh any price benefits. However, if distributors can buy their power more cheaply, private buyers should end up paying less for their electricity.

Distributors will be among the hardest hit by the reforms and a process of consolidation is expected. Many became inefficient and over-staffed under the monopoly regime. Dr Karl-Axel Edin, president of Tentum energy consultants in Stockholm, estimates that as few as 100 of Sweden's 250 distributors will be around in five years.

Deregulation has gone furthest in Norway, where the market was opened up in 1991. Traders have sprung up as middlemen between producers and groups of small business and shops and an electricity spot market has been established.

This is the prelude to the formation of a Nordic spot market, where companies would be able to hedge their financial risks and buy and sell physical electricity. OM group, the Swedish securities and derivatives exchange operator and clearer, has already developed a prototype system to handle Nordic electricity trades.

But for the spot market to function efficiently, the Nordic countries will have to move further to remove potential distortions, such as tariffs and export quotas. Norway, for example, currently restricts exports to 5 terawatt hours a year – only 4 per cent of its total production – and imposes export tariffs.

Restrictions like this show that for all the progress towards deregulation, worries remain about security of supply and the continued ability of domestic consumers to buy electricity cheaply. The fear is that a liberalised market could persuade producers to export electricity to neighbouring countries if prices there are higher, eventually forcing domestic prices up.

In Sweden, there have been worries that people living in sparsely populated areas will pay higher electricity prices because of higher transmission costs. Until these concerns are addressed, and potential trade barriers removed, deregulation will not produce a true common market in Nordic electricity.

EUROPEAN NEWS DIGEST

## US backs deals on 'open skies'

The US yesterday defended wide-ranging bilateral "open skies" deals it has signed with six EU member states and rejected European Commission criticisms of the agreements.

Mr Stuart Eizenstat, US ambassador to the EU, said the bilateral deals were "in the interest of both Europe and the US". The agreements were not inconsistent with EU law, nor did they threaten the EU aviation market, he said.

Mr Neil Kinnock, EU transport commissioner, has opposed the deals, alleging that they contravene European law and that cumulatively they pose an economic threat to the EU market. Brussels has started legal proceedings against Belgium, Denmark, Luxembourg, Austria, Sweden and Finland.

Mr Kinnock believes the EU would be better served by a bilateral deal and is seeking negotiating powers from EU member states. Mr Eizenstat, speaking at a conference on US-European aviation relations, pointed out that the US was ready to negotiate an EU-wide agreement. Previous attempts to achieve this had foundered because the US "lacked a negotiating partner with the legal competence to negotiate with us". *Caroline Southey, Brussels.*

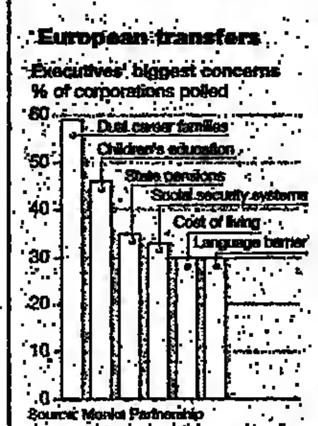
## Juppé's low-rent flat criticsed

On the eve of Sunday's first round vote in France's municipal elections, the prime minister, Mr Alain Juppé, yesterday came under fire for occupying a low-rent apartment in a stylish area of Paris of which he has been the deputy mayor responsible for finance.

The Canard Enchaîné satirical weekly revealed that Mr Juppé paid FFr 14,493 (£1,883) a month for a six-room flat with a terrace in a district where rents are usually more than double for comparable properties. Two months ago, the same weekly revealed that in the same area of Paris President Jacques Chirac had paid FFr11,000 a month for a ground floor flat with a garden.

Mr Bertrand Delanoe, leader of the Socialist minority on Paris city council, said he was shocked at these cases, in a city with 20,000 homeless and a further 60,000 families on a waiting list for cheap housing. It remains to be seen whether this criticism will carry any echo in Bordeaux, where Mr Juppé is now running for mayor. *David Buchan, Paris.*

## UK and Dutch managers mobile




Dutch and British executives are generally the most willing to re-locate to another country in Europe, according to an annual report by Monks Partnership, a UK-based consultancy. Italian, French, German, Spanish and Swiss executives were more likely to be unwilling to re-locate, according to the survey of transfer policies of 39 multinational groups. More than 80 per cent of the companies polled believed the development of a Europe-wide organisation was important, compared with 74 per cent in 1994 and 55 per cent in 1993. Nearly 90 per cent required management teams with international experience.

Family circumstances, including dual career families and children's education was the most important factor inhibiting career moves. *Lisa Wood, Employment Staff.*

## Ukraine ends powers deadlock

Ukraine's president Leonid Kuchma and parliament agreed yesterday to sign a "constitutional treaty", ending a deadlock on the division of powers.

Under the agreement, Mr Kuchma will have broader rights to issue decrees and appoint ministers. He has argued that Ukraine needs a strong president to implement economic reform, overhaul local government and fight corruption.

In return, the president agreed to a one-year deadline for a new constitution. The treaty was approved by a wide margin in parliament. The decision means the president will cancel a planned referendum which had been opposed by parliament. *Matthew Kaminski and agencies, Kiev.*

## Italy's interior minister resigns

Mr Lamberto Dini, the Italian prime minister, was yesterday faced with the delicate task of finding a new interior minister after the resignation of Mr Antonio Brancaccio for health reasons. The 71-year-old minister tendered his resignation after being admitted to hospital for the third time this year.

Mr Brancaccio, a former chairman of the supreme court, was brought in as interior minister when the Dini government was formed in January.

At the time Mr Dini was backed by the right-wing coalition of Mr Silvio Berlusconi, the former prime minister, and the choice of ministers, none of them MPs, reflected this. But the government now relies on the centre-left for its majority and Mr Dini will be under pressure to find a candidate who enjoys the latter's support. *Robert Graham, Rome.*

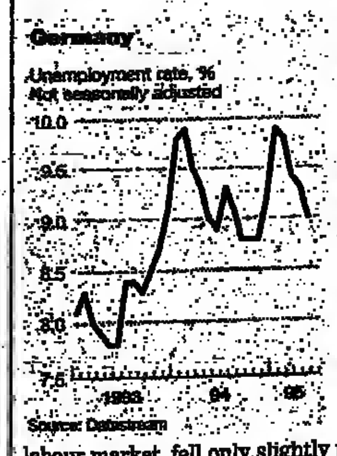
## Czechs end Slovak trading deal

The Czech government yesterday decided to cancel the Ecu-denominated trade-clearing agreement with Slovakia set up three months after the division of the former Czechoslovak federal state in January 1993.

The clearing agreement, which requires deficits in excess of Ecu130m (£108m) each month to be paid in hard currency, was set up to avoid a collapse in bilateral trade when both states were short of hard currency. But a 10 per cent devaluation of the Slovak Koruna in July 1993, partially offset by a 4 per cent revaluation two weeks ago, coupled with imposition of a 10 per cent Slovak import surcharge led to a $750m (£478m) bilateral trade surplus for Slovakia over the last year and angered Czech exporters. *Anthony Robinson and Vincent Boland.*

ECONOMIC WATCH

## German unemployment falls




Germany's unemployment rate in May fell for the fifth month in a row, reaching its lowest level since September 1993. But economists said the decline merely reflected the usual seasonal fall in the number of people out of work and gave no clues about longer term cyclical improvements. The headline unemployment figure fell by 143,000 to 3.46m in May, representing 9 per cent of the labour force. However, seasonally adjusted unemployment, which is regarded as the most reliable index for the health of the labour market, fell only slightly to 2.544m, down from 2.546m in April. The April figure had risen from a March level of 2.541m.

The first five months of this year showed a rise in unemployment of 12,000 which, according to analysts, showed that despite the economic recovery, companies were still reluctant to take on new people. They were also worried that the relative strength of the D-Mark against other currencies would affect new orders during the year. In eastern Germany, meanwhile, unadjusted unemployment fell by 165,000, or 14 per cent, in the last year. *Michael Lindemann, Bonn.*

# Bonn plans telecoms compensation fund

By Michael Lindemann in Bonn

Germany will create a special fund to compensate for provision of unprofitable nation-wide telecommunications services after the 1998 watershed when the market is liberalised, Mr Wolfgang Bötsch, minister for post and telecommunications, said in Bonn yesterday.

Presenting the first draft of the new law which is intended to regulate Europe's biggest telecommunications market, Mr Bötsch stated that the fund would be used to offset losses which operators might incur by supplying telephone services to remote areas, such as alpine districts.

All companies which would have a market share of more than 5 per cent of the liberalised market post-1998 would have to pay into the fund, the minister added.

In face of persistent criticism from Germany's influential power utilities which are keen to enter the liberalised market, the minister declared that Germany would press ahead with plans to open the sector to an unlimited number of operators after 1998, as detailed in his deregulation guidelines.

The guidelines, setting out the shape of the liberalised German telecoms market, were first published at the end of March.

Since then, the ministry has received 54 responses from some of Germany's biggest companies, political parties and industrial associations.

Only the opposition Social Democratic party (SPD) and the German Postal Union (DPG), which represents the majority of Deutsche Telekom's 230,000-strong work-force, rejected the guidelines outright, a ministry spokesman said.

The SPD, which is close to the DPG, recently criticised Mr Bötsch's guidelines, saying "chaos" would be caused if he allowed an unlimited number of operators to provide telecoms services, and demanded that all new entrants be required to provide so-called universal services.

Several of the big electricity utilities such as Viag had argued in favour of a limited number of new operators after 1998, when telecommunications are liberalised in Germany and across most of Europe.

However, despite isolated objections, Mr Bötsch said the guidelines had met with "overwhelming" approval, and he insisted he would press on with his efforts to create a market that was as open as possible.

"I do not want to create a market with administrative measures because history has shown that that has never succeeded and that it is asking too much of bureaocracies," Mr Bötsch declared.

His plans, which are due to be approved by the German cabinet in December, may still be blocked by the SPD in the Bundesrat, the upper house of parliament, where the party has a majority.

A spokesman for the telecommunications ministry said he did not yet know how the SPD, which has sought to delay earlier stages of the telecommunications reform in recent years, could be persuaded to endorse the plans.

"We have done all we can to create a market where competition is assured and where access for newcomers is guaranteed," a spokesman said.

The idea of using a fund to compensate any losses caused by the provision of so-called universal telecommunications services was suggested by the European Commission in the second part of its green paper on telecommunications issued earlier this year.

# Brussels to probe two mobile satellite groups

By Caroline Southey in Brussels

Two satellite mobile phone consortiums are to be investigated by the European Commission to establish whether they breach competition rules.

The probe, launched by Mr Karel Van Miert, competition policy commissioner, will focus on the technical, financial and commercial operations of two mobile satellite systems: Globalstar, led by Loral Corporation, a leading US defence electronics company; and Iridium, led by Motorola, the US telecommunications equipment manufacturer.

The Commission accepts that the mobile satellite systems market will be dominated by a few large operators because of the high-risk factor involved in the technology as well as the financial cost of launching and operating satellites.

But Mr Van Miert is concerned that the small number of large international consortiums operating in the sector could dominate downstream activities, such as local service provision, distribution and equipment supply, which could affect competition in the EU.

"We recognise the strategic nature of the systems and that they can bring real benefits to people, particularly in remote parts of the world. But we need to know how they are being organised," a Commission official said.

The consortiums are aiming to build global systems enabling users to make calls on hand-held phones from anywhere on earth. This means they will have to negotiate terms with existing operators of fixed and mobile services to ensure delivery of calls.

The Commission estimates that millions of subscribers will be offered satellite personal communications services by the year 2000 and that satellite-based mobile communication systems using hand-held terminals will generate revenues worth Ecu10bn (£8.3bn)-Ecu 20bn during the next 10 years. "The indirect effects which will ripple through related markets will be much greater," a Commission official said.

Brussels has asked the two consortiums for details on the terms and conditions of their distribution policies, what links they plan with cellular terrestrial networks and the level of access competing operators would have to infrastructure owned by partners in one of them.

"Open, non-discriminatory and fair conditions regarding partnerships and agreements will need to be maximised," said the official.

The Commission is already looking at the rival consortium Inmarsat-P, the satellite telephone system being developed by the International Maritime Satellite Organisation. Its partners include Telefonica of Spain, Swiss Telecom and Telecom Finland.

Inmarsat-P volunteered information on its system and partnership agreements to the competition authorities in Brussels. Mr Van Miert has initiated the investigations into Globalstar and Iridium, asking initially for information as the first step in any competition investigation.

# Halifax menu shows G7's varying appetite for reform

The leaked draft, noting areas of disagreement, provides a scorecard for winners and losers at the summit, writes **Peter Norman**

It was the stuff of a bureaucrat's nightmare. A document, clearly markad as a draft communique for next week's Group of Seven summit in Halifax, Nova Scotia, was released in Ottawa by the Canadian opposition New Democratic party on Tuesday night and winged round the world by Japan's Kyodo news agency early yesterday.

UK officials concerned with the summit said yesterday that the document was only a working document that had been put together rapidly after the last meeting of "sherpas", the officials responsible for summit preparations, on May 27.

The Canadian government is in the process of preparing a proper draft which the sherpas and heads of government will work on after the summit starts on June 15. In the Canadian parliament. Mr Paul Martin, Canada's finance minister, told opposition MPs that the summit's "ultimate decisions may well bear no resemblance to whatever document you may have".

But the leaked document is a serious embarrassment to the politicians and officials preparing next week's get-together of leaders from the US, Japan, Germany, France, Britain, Italy, Canada and the European Commission. Even though rough and no more than an aide-memoire, it highlights where differences remain and, through bringing these into the open, could make their resolution through negotiation in Halifax more difficult. The G7 leaders will go to Halifax aware that journalists and analysts will be able to draw up lists of supposed winners and losers based on a comparison of the leaked document and the final text.

**The leaked document is a serious embarrassment to the politicians and officials preparing next week's get-together of leaders from the US, Japan, Germany, France, UK, Italy, Canada and the EU Commission.**

In fact, the document shows that the sherpas have achieved a substantial basis for agreement among the leaders, especially when it comes to strengthening the International Monetary Fund and other international financial institutions in the wake of Mexico's financial crisis earlier this year. In their review of the institutions of global co-operation, agreed at last year's summit in Naples, the G7 are less sure how far they should go in pressing for a reform of the United Nations.

Trade is a significant omission in the text: a headline "Creating opportunities through trade" is followed simply by a note in parentheses that says "new text to follow". Officials said yesterday that this did not signify deep disagreement. But trade remains a murky part of the summit agenda, not least because it is as yet unclear whether Halifax will he the venue for substantive talks on the current US-Japanese dispute over trade in cars and car parts.

The G7 appear agreed that the IMF needs to strengthen its surveillance of national economic policies and financial markets. According to the text, they have gone further than the IMF policy-making interim committee did at its end-April meeting in urging the Fund to establish a procedure that would publicly identify countries meeting "benchmark" standards for the timely publication of important economic and financial data.

The G7 are prepared to recommend a doubling of financial resources to deal with Mexico-type emergencies through the IMF's General Arrangements to Borrow. This facility, available in times of crisis from the Group of Ten industrial countries and Saudi Arabia, currently is worth about $28bn.

However, disagreement exists among the officials over proposals that the IMF should borrow in financial markets and the plan of Mr Kenneth Clarke, the UK chancellor, that the IMF should sell some of its gold to ease the multilateral deht hurden of those poor developing nations that are enacting economic reform.

There are far more "square brackets" indicating disagreement in the parts of the document dealing with development issues, the reduction of poverty and the future of the United Nations.

The officials have written that the G7 "support a replenishment of the IDA", the International Development Association which is the World Bank's soft loan agency. But they cannot agree on whether the replenishment should be "significant". At one point, they urge multilateral institutions, such as the IMF and World Bank, to take developing nations' "unproductive spending into account in extending assistance". The square brackets show at least one country wants "military" spending to be included in the criterion.

The G7 want to use the UN's 50th anniversary this year to launch a process of reform of the UN and its agencies but, judging from the document, they differ over how far this aim should be made explicit at Halifax. The square hrackets reveal that some G7 members are far more willing than others to threaten the UN with a reduction of funds or to pinpoint institutions which could be closed down. It is understood that the UK and the US have been more hewkish than Germany or France in pressing for a clear outline of reform.

**Officials disagree about the plan of Mr Kenneth Clarke, the UK chancellor, that the IMF should sell gold to ease the debt burden of those poor developing nations that are undertaking economic reform**

At one point, multilateral institutions are told that they "must reduce costs, and be hoth responsive and transparent. . . to remain relevant". At least one G7 country wants to add "and to secure the continued support they need".

Elsewhere, the UN is urged to update the mandate and focus of its institutions in the light of the establishment of new international organisations such as the World Trade Organisation. Unctad, the UN Conference on Trade and Development, is specified in a square hracket as a possible candidate for the chop. The UN's regional economic commissions and Unido (the UN Industrial Development Organisation) are identified in another square bracket as bodies which may not have "a continuing role in the light of economic and political changes since they were set up".

The G7 want to "consolidate and streamline" the UN's organisations in the economic and social fields. The sherpas, however, have so far been unable to agree whether they should specify humanitarian relief or development assistance for streamlining or raise the possibility of merging some smaller UN programmes and governing bodies. Similarly, there are four options of varying degrees of severity which sum up the G7's wish to see the UN become more efficient, less costly, better managed and more accountable.

Differences notwithstanding, it is clear that the UN is heading for a shake-up if the G7 has its way.

# Hopes grow for Middle East peace

By Julian Ozanne in Jerusalem

The Middle East peace process appeared to be moving into high gear yesterday as Egypt announced the Israeli and Syrian chiefs-of-staff would meet this month, and Israel and the Palestinians reported remarkably good progress in talks.

Growing optimism of a substantial hreakthrough towards a comprehensive Middle East peace came on the eve of the arrival of Mr Warren Christopher, US secretary of state, whose visit is being viewed widely as crucial to determining the pace of progress this year.

President Hosni Mubarak of Egypt yesterday said the Syrian and Israeli chiefs-of-staff would meet in the US at the end of the month.

Neither Israel nor Syria immediately confirmed Mr Mubarak's statement but Israel has traditionally said it is vital for Syria to send its top general to talks on security issues if swift progress is to be made on complex issues such as demilitarised zones, early warning stations and the timetable for an Israeli troop withdrawal from the occupied Golan Heights.

Mr Dennis Ross, US Middle East envoy, saw Syrian chief-of-staff Lt Gen Hikmat Shihabi in Damascus yesterday before flying to Egypt and later on to Israel in preparation for Mr Christopher's 13th shuttle diplomacy in the region.

Mr Mubarak's statement was seen in Israel as an effort to secure the Israeli prime minister's attendance at a proposed three-way summit with Mr Christopher in Cairo tomorrow.

Mr Ross has remained cautiously optimistic during his visit. Israeli officials say the US believes there is a real prospect for reaching an agreement this year and that President Bill Clinton, who phoned Syrian President Hafez Assad on Tuesday, is prepared to become personally involved if there is the chance of a breakthrough.

In Israeli-Palestinian negotiations, both sides said there had been a substantial change in the mood of the talks after Israel's decision this week to significantly expand the scope of the powers it will transfer to Palestinian self-rule.

"The Israeli position is a good signal. This shows that the Israeli side is committed to what it signed," said Mr Jamil Tarifi, head of the Palestinian delegation.

"The talks were in good spirits," said Major General Oren Shahor, chief Israeli negotiator. "In the same way we shall do the rest, quickly and as soon as possible."

# IMF warns Israel over threat to economic growth

By Julian Ozanne in Jerusalem

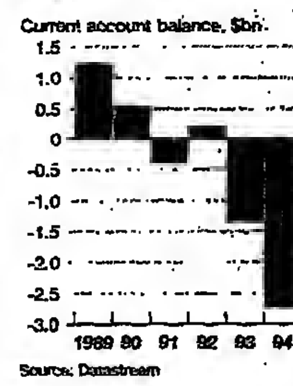
The International Monetary Fund yesterday warned that Israel's widening current account deficit, high inflation, fiscal slippage and marked decline in domestic savings threatened the country's sustainable economic growth.

In a critical annual report given to the government, the IMF also condemned the slowing of the structural reform process, marked by increases in public sector wages and employment, the "very slow pace" of privatisation and the introduction of a pension plan that "will both seriously compromise future government budgets and considerably undermine the efficient functioning of the capital market".

"Every effort will need to be made to reinvigorate Israel's structural reform process both in order to improve the supply-side response of the economy and to signal to the international community that Israel remains committed to a more market-oriented approach to economic policy," said the Fund.

The report said Israel's economic performance since 1989 had been "impressive" with average economic growth of 6 per cent, a fall in unemployment despite high immigration, and a consolidation of public finances.

**Israel**




Source: Datastream

But it said recent economic developments "threaten the continuation of Israel's satisfactory economic performance". Inflation rose to 14.5 per cent last year, up from 11.2 per cent in 1993, and the current account deficit doubled to $2.8bn (£1.78bn).

The Fund said Israel's main challenge was to increase domestic savings and public sector savings, in particular to relieve pressure from the growing external current account deficit.

It strongly criticised what it termed the "lack of ambition" in the 1995 budget – which targeted a deficit of 2.75 per cent of gross domestic product – and the danger of public spending exceeding budgeted levels at a time when the economy was overheated.

Ambitious fiscal policy was vital, the IMF said, to alleviate balance of payments concerns and reduce Israel's public debt of more than 90 per cent of GDP in order to generate savings for future pension fund obligations.

"If the basis for sustainable export-led growth is to be laid, it will be of the essence that appropriate restraint is exercised in demand management policies and that monetary policy is more fully supported by fiscal policy," the report said.

The Fund singled out the government's recently announced pension proposals for severe criticism. The new pension scheme would impose a heavy burden on future budgets, distort the efficient functioning of the capital market and "raise fundamental questions about Israel's longer term growth," it said.

The Fund also urged the government to stick to its restrictive and cautious monetary policy to meet this year's inflation target of 8-11 per cent and put in place a credible medium-term inflation reduction path.

The Fund praised Israel's diagonal exchange rate band, gradual liberalisation of capital flows, and commitment to liberalising trade with a target of reducing tariffs on imports to a range of 8-12 per cent by 1999.



# Japanese cities top living cost survey

By Robert Taylor, Employment Editor

Toyko and Osaka/Kobe in Japan are the world's most expensive cities with living costs more than double those of New York, according to the Economist Intelligence Unit's latest cost of living survey published yesterday.

The survey, covering 121 cities, found Zurich has the highest living costs of any European city followed by Oslo and Geneva. Moscow and Brazzaville are more expensive to live in than London and Sydney, according to the index which is based on prices charged on a variety of items and adjusted for exchange rate differences but excludes housing costs. The cities with the lowest living costs are Bombay and New Delhi followed by Mexico City and Harare.

Over the past six months Copenhagen, Brussels, Amsterdam and all German cities have grown more expensive to live in because of strengthening exchange rates. Even Lisbon, which used to be Europe's cheapest city, has moved up in the EIU table to 37th from 53rd place six months ago.

*EIU Worldwide cost of living survey. £225 for each city, 15 Regent St, London SW1Y 4LR*

**THE WORLD'S MOST EXPENSIVE CITIES**

| | | Pts |
|---|---|---|
| 1 | Tokyo | 220 |
| 2 | Osaka | 208 |
| 3 | Zurich | 143 |
| 4 | Geneva | 141 |
| 5 | Oslo | 137 |
| =6 | Copenhagen | 133 |
| =6 | Vienna | 133 |
| 8 | Moscow | 132 |
| =9 | Helsinki | 129 |
| =9 | Libreville | 129 |

Source: Corporate Resources Group, Geneva

# Mandela admits ordering ANC guards to shoot

By Roger Matthews in Cape Town

President Nelson Mandela of South Africa yesterday launched a vigorous defence of his instruction to security guards at the headquarters of the African National Congress to shoot to kill if the huilding was attacked during a demonstration hy the mainly Zulu Inkatha Freedom party in March last year.

Opening an emergency parliamentary debate, Mr Mandela regretted that eight IFP members were subsequently shot and killed near the building, hut said repeatedly the violence did not come "as a bolt from an otherwise clear sky".

A police investigation has failed to discover who was responsible for the murders and Mr Mandela's revelation last week of his involvement has heightened tanstons between his party and the IFP.

The cabinet agreed yesterday to set up a special committee headed hy Mr Mandela and including the two deputy presidents and Chief Mangosuthu Buthelezi, the IFP leader, to find ways of stemming the worsening political violence in KwaZuln-Natal.

Cheered on by the public gallery packed by ANC supporters, Mr Mandela told parliament he had received information that the headquarters was going to be attacked with the aim of destroying documents and killing senior members of the party.

More than 30 people had already died in the Johannesburg area that day, before the marchers reached the ANC building, he said. What would have happened to South Africa if the attack had been successful, Mr Mandela asked, emphasising the guards had the right to act in self-defence.

Responding for the National party, Mr H A Smit asked why Mr Mandela had remained silent for 14 months before making his statement and demanded that a judicial commission be set up to investigate the incident. He suggested that Mr Mandela may have spoken out now because the police were close to discovering the truth, and accused the ANC of behaving as though it was above the law.

Mr Joe Matthews, deputy minister for safety and security, said on behalf of the IFP that if the killings were an act of self defence it was curious that the bodies were found some distance from the ANC building. This did not suggest that they were attacking the building, but rather had fallen victim to an ambush, he said.

NEWS: THE AMERICAS

# Wily Gingrich keeps all guessing

**Jurek Martin** wonders whether the Republican speaker will stand for president

When a politician, in one week, addresses a chamber of commerce from Iowa and then heads off to New Hampshire it is assumed he is running for something. They are the first two states on the presidential election year calendar.

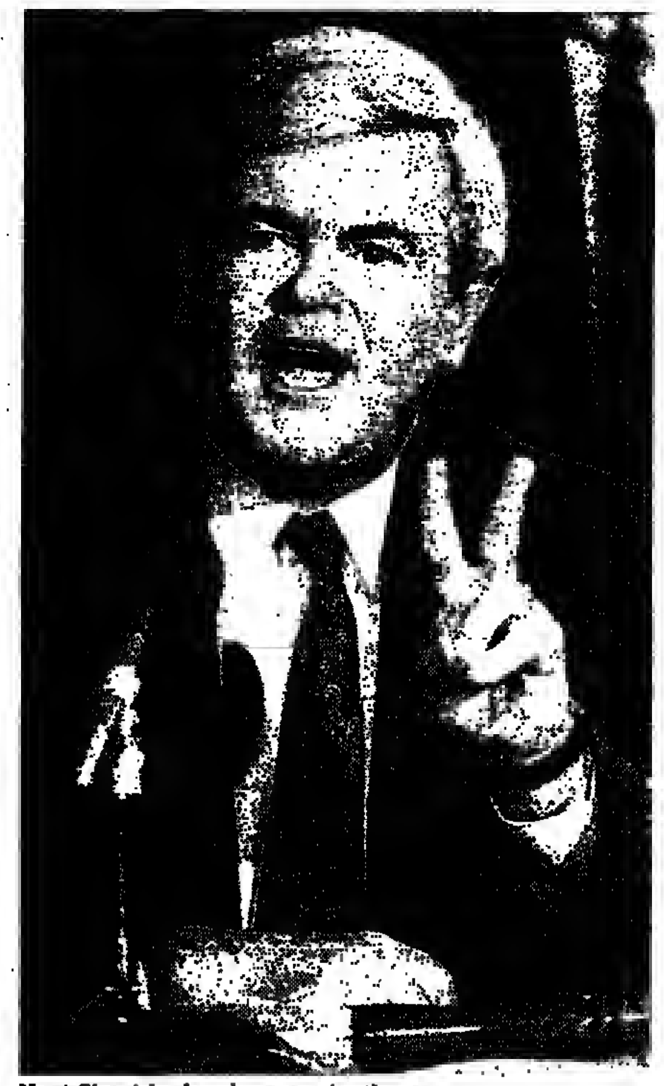
So it follows that since Mr Newt Gingrich made a speech to the Des Moines Chamber of Commerce in Washington yesterday and leaves for the granite state tomorrow the Speaker is "testing the waters" for a national candidacy.

That, indisputably, is the media story. A 200-strong press cavalcade worthy of a frontrunner will dog Mr Gingrich's every move in New Hampshire and he will get the sort of free television exposure that most declared candidates would give their eye-teeth for. He will probably outdraw President Bill Clinton, who is giving a college graduation speech on Sunday in the same state.

But the media circus does not mean that he is running. Nor has anything Mr Gingrich has said so far tipped the wink. His tantalising public comments have ranged, in chronological order this year, from "no" (too busy as Speaker) to "maybe" (nothing can be ruled in or out) to "wait and see" (not before August, because of an upcoming book tour).

Perhaps the best – and certainly the most plausible - guide to his thinking has been provided by Mr William Kristol, friend, Republican strategist and collaborator in the writing of Mr Gingrich's Contract with America. The Kristol version, gleaned over the last week, runs something like this.

The Republican presidential candidate in 1996 cannot be a "Bushie," in the mould of former President George Bush, but should be the person most capable of carrying forward the Gingrich-led "revolution" of the 1994 mid-term elections. That cannot be Senator Bob Dole because no matter how much he now signs up to the new Republican agenda he is too associated with the old politics of compromise. Nor, for the same reason, can it be Governor Pete Wilson of California.


Newt Gingrich: signs he may enter the race AP

It could be Senator Phil Gramm of Texas or ex-governor Lamar Alexander of Tennessee, but neither has caught fire. It might have been Bill Bennett, former secretary of education, or ex-vice president Dan Quayle, Mr Kristol's old boss, or Jack Kemp, once housing secretary, but none are running. It is unlikely to be Pat Buchanan or Congressman Bob Dornan, because it is possible to be too extreme. Rule out the moderates (Senators Richard Lugar and Arlen Specter) and only the Speaker is left.

But Mr Kristol has some caveats. Though he doubts it can hold up, the size of Mr Dole's lead among declared contanders could become a deterrent in itself. He would prefar that Mr Gingrich get "drafted" rather than volunteer himself, which would reveal his ambition as altogether too naked.

Or, as he put it to CNN, "if Bob Dole starts to falter as the frontrunner and if Phil Gramm can't succeed in uniting the Reagan coalition behind him ...then, when you talk to Republicans around the country the person they admire the most, who makes them stand up and cheer, is Newt Gingrich ... and they think maybe he should be the nominee."

The potential flaw in the hypothesis, which Mr Kristol is far too smart to deny, is that it is framed from the perspective of a Republican activist who sees a desirable outcome but doubts that other candidates, of middle or right, can either get elected or bring it about.

It also begs the question of whether Mr Gingrich's appeal stretches sufficiently beyond the committed to make him a viable opponent to, probably, President Bill Clinton. While the pundits concede that he is a dominant political player in Washington, public opinion, as measured by polls, remains much less impressed.

Even sympathetic commentators have begun to worry that the Speaker is getting a little carried away with his fame in the capital and the adulation of the faithful when he is on the road, as last weekend at the Chicago book fair.

Mr Paul Gigot, writing in the Wall Street Journal last week, sardonically observed after the Speaker had cited both JFK and Thomas Jefferson as precedents for his New Hampshire trip: "Mr Gingrich's ego is now so large that he doesn't compare himself to just a single world-historical figure when two are available."

Mr Charles Cook, of Roll Call, the congressional newspaper, was more scathing, describing as "abysmal" the Speaker's chances of getting elected president. "Let Newt have his fun next week but don't count on him jumping into this presidential race, he's a lot smarter than that."

Finally, Mr Dole has shown no signs of slipping. His lurching to the right may be transparent but, inside the party, it is serving a purpose. His campaign, unlike previous attempts in 1980 and 1988, appears to be professionally run, especially at the state level.

If he can keep it up, and assuming Messrs Gramm and Alexander continue to flounder, he might be uncatchable, even by Mr Gingrich.

But the banners and the chants in Nashua and Concord this weekend will tell a different story. An editorial in the Manchester Union Leader, not much changed since its anti-communist heyday under William F Loeb, virtually begged him to run as "a standard bearer who is ideologically pure."

As Mr Tony Blankley, the Speaker's English-born press secretary put it, "you give the people what they want." But he also added a word of caution. "Part of this is just the silly season."

# Stately drivers step on the gas in US

By Richard Tomkins in New York

The US is speeding up. After nearly a quarter of a century of crawling along the highway at a stately 55mph, the nation's motorists are being allowed to step on the gas and accelerate to a rollicking 65mph – at least, in some places.

This week New York State became the latest of a number of states to have ordered a relaxation of the 55mph speed limit on certain roads.

From August 1, motorists will be allowed to drive at up to 65mph on 1,100 miles of good-quality roads in rural areas.

The 55mph speed limit still applies throughout the US in built-up areas. But if legislation currently before Congress succeeds, the national limit will be swept away, leaving states to set their own limits.

The national speed limit of 55mph, one of the lowest in the world, was ordered by Congress in 1974 as a fuel-saving measure in response to the 1973 oil crisis.

Subsequent legislation increased the limit to 65mph on federal interstate highways in rural areas, and permitted states to raise the limit to 65mph in rural areas on roads that met inter-state standards. But on most roads, the lower limit has remained.

Motoring organisations have repeatedly argued for an increase in the national limit, pointing out that the reason for its introduction has long since passed. But safety bodies counter that car crash fatalities plunged by 16 per cent in the year that the 55mph limit was introduced, and would rise again if it were swept aside.

Since the existing limits are already widely flouted, advocates of an increase argue that a higher maximum speed would simply recognise reality and ease the burden of enforcement.

But there seems to be no consensus on what the new limit should be.

Senator Don Nickles, an Oklahoma Republican, is backing an amendment to a highways bill before Congress that would allow states to decide on their own speed limits, so reverting to the pre-1974 position. But the American Automobile Association, a motoring organisation, wants a less radical change, arguing only for an increase in the limit to 65mph.

"Americans have disturbances when they are driving such as eating and drinking and talking on the telephone," says Ms Barbara Crystal, of the AAA. "I don't think they are ready for the sort of speeds that people are used to in Europe."

OBITUARY: J P ECKERT

# Pioneer of the computer age

J Presper Eckert, who helped herald the new information age by co-inventing the first electronic digital computer, has died after a long battle with cancer. He was 76.

Eckert died at Bryn Mawr Hospital from complications caused by leukaemia, a hospital spokeswoman said.

Along with John Mauchly, Eckert co-invented the electronic numerical integrator and computer – which may have marked the beginning of the modern information age.

"It's like knowing Thomas Edison or Henry Ford," said Mr Don Dowd, a computer industry spokesman who had known Eckert for 33 years. "Here is someone who launched an industry."

Eckert was a research associate at the University of Pennsylvania in 1943 when he began work with Mauchly on the Eniac, a 30-ton goliath of 18,000 vacuum tubes developed to determine artillery shell trajectories.

The first Eniac was completed in February 1946.

Later that year the two founded the Eckert-Mauchly Computer Corporation. In 1950 Remington Rand bought their company and changed the name to Univac Division of Remington Rand.

Remington Rand merged with Sperry Corp in 1955 to form Sperry Rand. Eckert was an executive of Sperry when it merged with Burroughs Corp to become Unisys.

He remained active in the computer field even after his retirement from Unisys in 1989 and was granted 87 US patents.

He is survived by his wife, daughter and three sons.

# Argentina seeks to end free higher education

By David Pilling in Buenos Aires

The Argentine government moved yesterday to end universally free higher education by sending a controversial bill to Congress that would allow public universities to charge fees.

Thousands of students gathered outside Congress yesterday afternoon as deputies prepared to debate the bill, which would also reduce the autonomy of universities. Under the present law, universities have freedom to develop their own curricula and to organise teaching departments.

Last week, students stopped congressional discussion of the bill by blocking the entrance to parliament. Their action was called "seditious and fascistic" by President Carlos Menem.

The government says tax payers are asked to subsidise university education for middle and upper class students whose families can afford to pay. If higher-income students contribute towards their education, the state will be able to offer maintenance grants to poorer families, it argues.

The Peronist government says the bill is aimed at raising university standards, historically among the highest in Latin America but which have slipped in recent years. Since 1983, universities have generally not set entrance exams, but have accepted students regardless of their previous educational performance. Critics say this has lowered standards and encouraged the phenomenon of the perpetual student.

Student organisations, many of which have occupied their university campuses in the past few days, contest that the new law favours only those families with the ability to pay. They also oppose moves to restrict university autonomy, which they see as an assault on intellectual freedom.

● Argentina will take companies to court if they participate in oil exploration around the disputed Falkland islands without the prior agreement of Buenos Aires, Mr Guido Di Tella, Argentina's foreign minister, said yesterday. Mr Di Tella, in London to discuss a possible bilateral oil exploration and exploitation accord with Britain, said Argentina would make a "nuisance" of itself should Britain decide to proceed alone.

Mr Di Tella, who is today due to meet Mr Douglas Hurd, his UK counterpart, rejected the UK position that licences must be issued this year. It would be better to come to a political agreement, however long it took, he said.

Confusion still surrounds the future of one of the world's biggest networks, writes **Angus Foster**

# Brazil moves to end telecoms monopoly

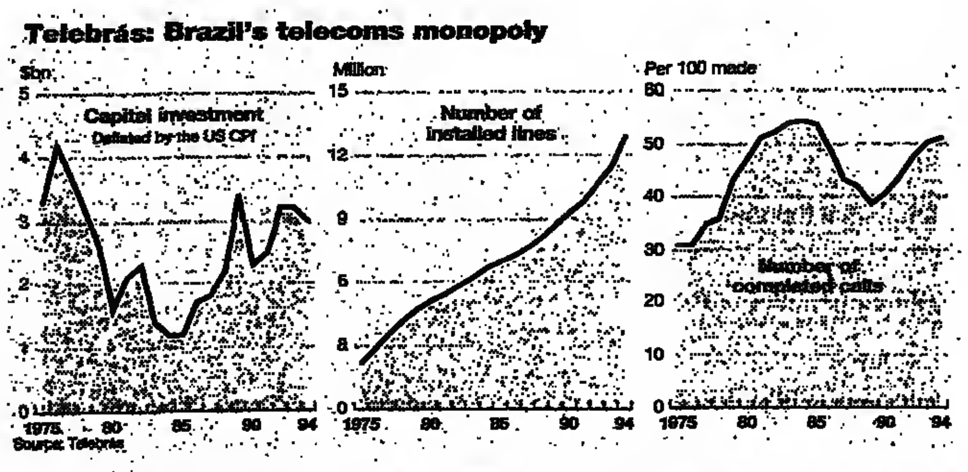
Amid cheers and embraces, Brazil's lower house of Congress voted on Tuesday to lift the country's telecommunications monopoly. If the decision is approved by the Senate as expected, the constitution will be changed to allow private companies to compete with Telebrás, the state controlled monopoly.

The vote, a big victory for the government, has not dispelled the confusion surrounding the telecommunications sector. Laws to regulate competition are not in place and the pricing system needs an overhaul, which suggests the uncertainty will last for some months.

"It won't be rapid," says Mr Carlos de Paiva Lopes, Brazil president of Ericsson, the Swedish group. "Things should be clearer by July or August next year, when some companies will have started investing and there will have been progress on the regulatory side," he says.

Brazil's telecoms network, one of the world's largest, fell victim to the country's economic problems in the 1980s. Investment and service quality fell sharply, leaving Telebrás lagging behind other Latin American carriers in network installation and quality.

To catch up, communications minister Sérgio Motta estimates the sector needs \$30bn-\$35bn of new investment this century. Telebrás has ambitious plans nearly to double its installed lines to 23m by 1998. But because of the government's cash shortage, it needed the constitution changed to allow private sector investment as well.




The amendment should be approved in a couple of months in the Senate, where the government's majority is large. Mr Motta wants immediately to open to private sector competition some higher value added services such as data transmission, cellular phones and satellite communications. Contracts for these services would be awarded through a recently approved public concessions law, and could start operating by the end of the year.

But the timetable may run into trouble in Congress, where some politicians say Brazil first needs laws to regulate newly opened sectors and to control prices. The present regulatory structure has no experience of judging competitive tenders or private sector pricing proposals. Government critics fear that without a new regulatory structure, Telebrás' monopoly could simply be passed to the private sector.

Getting such laws through Congress might take a year. Mr Motta, whose colourful language and heavy frame sometimes cast him as a street fighter, will battle for quicker approval. But it is not clear whether he can do much before the new laws are ready.

At least some private companies would not mind a delay if it removes the confusion. "We need to know which areas are going to be opened and when, and we need transparent and open competition," says Mr Francisco Loureiro, general manager for US carrier Sprint. "Otherwise, it's very difficult to know how much we will invest in Brazil."

Mr Motta says two other reforms are needed. Telebrás' 27 regional operating companies need to be merged into six or seven larger companies. This would cut costs and prepare for their sale to the private sector, although no privatisations are expected to be ready soon. The rump of Telebrás, involving mainly administrative and research personnel, would becoms the base for a new regulatory body.

Merging regional companies will be strongly opposed by politicians and state governments, who will not want to lose valuable sources of patronage. There is also confusion about Embratel, the Telebrás subsidiary which has the monopoly on long distance calls and whose profits subsidise residential users. Some government members want to retain the long distance monopoly, believing it is strategically important.

Mr Paiva Lopes doubts such thinking can survive. "As soon as you allow competition, the public will realise so quickly the bad service they are getting and privatisation will become an obvious next step."

Private sector investment in Brazil's telecommunications is difficult to forecast, but the potential is huge. Some 10m Brazilians are on waiting lists for a phone line, and face delays of two years in São Paulo. Ericsson reckons there is a shortage of 2m-2.5m cellular phones but that the potential market could be twice as big with proper marketing.

Other foreign companies such as AT&T of the US and France Telecom have set up offices before the market's opening. Mr Loureiro says Sprint is interested in long distance and international services and might even build its own network, if full competition was allowed. "The south east of Brazil is certainly rich enough to warrant a second network to compete with Embratel," he says.

One knotty problem which the government must untangle, and which may deter private investors, is a highly distorted tariff regime.

Tariffs are not expected to be sorted out quickly. Some ministers want to freeze telephone and other public utility prices this year to fight inflation. Raising standing charges, which private sector analysts say is long overdue, would push up inflation and be politically difficult so soon after the ending of Telebrás' monopoly.

Private investors hope the government quickly explains its priorities on this and other outstanding questions. But with so much still to be done, the millions of Brazilians waiting for a phone may be in the queue for a while longer.

The Brazilian government is enjoying record tax revenues thanks to continued economic growth and a rise in import taxes earlier this year. Tax collection in May reached R\$8.3bn (US\$9.2bn) compared to just R\$4.9bn in the same month last year. Receipts in the first five months of this year are up 41 per cent on the corresponding period. The increase will remove pressure on the federal budget and could tempt the government to again delay an overhaul of the tax system.

Last month's increase is partly due to a windfall increase in import tariffs, which in March were raised to 70 per cent on a range of consumer goods including imported cars.

Despite the tariff rise, imported cars are still selling well, partly because the Real remains heavily overvalued. The government is now thought to be considering introducing quotas for imported cars. The measure would be fiercely criticised by Brazil's trade partners, but some government economists believe there are few other options to contain this year's growing trade deficit.

**NEWS: WORLD TRADE**

# Financial services talks enter final stage

By Frances Williams in Geneva

Crucial multilateral talks aimed at liberalising trade in financial services appear to be making progress hut trade officials warned yesterday that a snccessful outcome was not assured hefore the June 30 deadline.

Senior trade and finance ministry officials from the world's leading trading nations met in Geneva to launch the final stage of negotiations, regarded as an important test of the new World Trade Organisation which began work in January.

Though the US remained dissatisfied with market-opening offers from some developing countries in Asia and Latin America, there appeared to be "signs of flexibility", one official said. Several countries in Washington's sights indicated yesterday they would be putting forward improved proposals.

Bilateral talks are taking place this week and draft final offers are due on June 15. This will be followed hy two weeks of intensive bargaining before the WTO's council on services meets to approve the final deal.

The multibillion dollar financial services sector, whicb covers banking, insurance and securities husiness, was deliberately left out of the Uruguay Round global trade accords in the hope that anotber 18 months of negotiations would produce a better agreement.

Washington is threatening to har parts of the US financial market to companies from countries whicb fail to provide satisfactory access to US firms. The European Union bas said in tbose circumstaoces it would do tbe same, almost certainly provoking a collapse of the talks.

Trade officials say the US fire is directed chiefly at members of tbe Association of Soutb East Asian Nations, South Korea and Brazil.

The US and EU seem to have given up bope of cracking open India's state-owned insurance market, which has aroused strong domestic opposition. The Indian government has made some placatory moves towards opening its other financial markets.

At the same time, New Delhi has tied its financial services offer to moves by industrialised nations to relax entry rules for skilled services workers in parallel WTO negotiations. Fears that this link could paralyse botb sets of talks were eased slightly last month when Canada said it was prepared to relax entry restrictions if India reciprocated in financial services.

# Israel sets terms for new trade pact with EU

By Julian Ozanne in Jerusalem

Israel yesterday approved a draft trade association agreement with the European Union hut said final ratification depended on the EU meeting several conditions.

The cabinet, seeking to speed up a tortuous 18-month negotiation process and conclude the agreement under the current French presidency, urged the EU to reinstate approval of the accord on its agenda for next week's meeting of EU foreign ministers in Brussels.

"The ball is now in the court of the European Union and the French presidency," said Mr Oded Eran, Israel's main negotiator.

"We have made every effort to get the agreement through cabinet despite the opposition of the ministers of agriculture and trade and industry."

The new accord upgrades the original 1975 agreement and gives Israel a special relationship with the EU with unprecedented access to the EU's markets, research and development programmes and its decision making processes.

The EU's fourth Research and Development Programme will be extended to Israel, and the accord increases Israel's quotas of fresh and processed agricultural prodncta which are allowed preferential access to the EU.

Israel called on EU member states to help reduce its trade deficit with the EU which last year soared to $7.8bn.

The cabinet said ratification would depend on several conditions. The agreement would need to include Israeli participation without voting rights at committee meetings which determine priorities for research and development.

Also, it should provide for further negotiations on opening government procurement, particularly in the telecommunications sector where Israel has a comparative advantage.

In addition, Israel is seeking further negotiations on Israel's inclusion in "outward processing traffic" which allows European products manufactured outside the EU with Israeli inputs, particularly textiles, to enjoy preferential access.

The cabinet also called on the EU to include parts of the December 1994 Essen declaration which promised Israel a "special status" in its relations with the EU.

Mr Eran said the cabinet had decided to approve the package after German Chancellor Helmut Kohl gave his strong backing to Israel's position in talks with Israeli prime minister Yitzhak Rabin on Tuesday and said he would lobby European governments on Israel's behalf.

It is uncertain whether the European Union will respond to Israel's move and reinstate approval of the agreement to the agenda of next week's meeting of foreign ministers.

French wine: good enongh for the rest, but not the US?

# Health high on WTO menu

**Frances Williams** on emotive trade disputes over food safety standards

Fish, hot dogs, grapefruit and wine – this indigestible concoction is made up of the latest batch of trade disputes concerning the safety of food and farm products. Among the most emotive issues in international commerce, food safety and animal health look set to pose an early test of the new global trade rules ushered in this year hy the World Trade Organisation.

In an attempt to prevent governments using excessively strict agricultural bealth and safety regulations as a disguised form of protectionism, hinding new rules on sanitary and phytosanitary (SPS) measures were negotiated in the Uruguay Round of trade talks.

The SPS accord says governments can choose to set high standards of health and safety but sbould not impose more restrictive measures than necessary to achieve them. If they do not use international norms – such as those laid down hy tbe Rome-based Codex Alimentarius Commission (Codex) – their standards should be justifiable scientifically.

That still leaves plenty of room for interpretation and argument. Trade experts are awaiting with keen anticipation the first SPS dispute to go to an independent WTO panel which will start the process of establishing a body of case law.

Heading the queue are two complaints already in the WTO system hrought by tbe US against South Korea, one on inspection requirements for imported fruit and vegetahles, the other on the permitted shelf life of imported meat and other products. Washington has called for hilateral consultations, the first step in the WTO's disputes procedure hefore panels can be established.

The first complaint follows an incident earlier this year when a consignment of US grapefruit was impounded by the South Korean authorities and left to rot in port storege while awaiting inspection for harmful chemical residues.

The second dispute, which has been simmering since late last year, initially concerned a decision by Seoul to shorten the permitted shelf life for hot dogs and other meat products in a move Washington saw as deliberately designed to keep imports out. Though South Korea suhsequently restored the shelf life for bot dogs, the US says it continues to impose unnecessarily short shelf lives for preserved food products of all kinds.

More recently, the EU's ban in April on $15m-worth of Japanese fish because of bygiene concerns led to protests by Tokyo that the han was based on a very small sample of processing plants in Japan and included products of factories that the EU had not inspected. However, this argument now looks set to be settled bilaterally after Japan agreed to improve sanitary standards.

Other potentially explosive disputes are on the horizon. One relates to the European Union's six-year-old ban on US exports of meat from animals fed with growth hormones. Unilateral US trade sanctions imposed in 1989 are still in effect today and Washington appears to be losing patience.

This week, Mr Dan Glickman, US agriculture secretary, warned his EU counterpart, Mr Franz Fischler, that Washington would take the dispute to the WTO if there was no settlement this year. Mr Fischler says he wants to await the outcome of a scientific conference he is convening at the end of the year.

However, the US case could get crucial reinforcement if Codex approves the recommendation of an expert group to allow use of growth hormones wben its governing commission meets in July. The EU has yet to produce convincing scientific evidence that meat from bormone-treated animals is unsafe, justifying the import ban instead by pointing to "consumer concerns".

The second case involves a threatened US ban on wine containing residues of a fungicide, Folpet, widely used in Europe and around the world but not in the US. EU members have already warned Washington that they consider the proposed move to be in breach of WTO rules. France says the ban could hlock virtually all its wine exports to the US, worth $538m in 1994.

However, contrary to the misgivings of some US consumer and environmental groups during the SPS negotiations, US federal and state standards are not seen as a primary target for attack. "US standards are too well-founded in science," says Mr Phillip (Evans, trade expert with London-based Consumers International.

Rather, the main focus of SPS cases is expected to be countries, particularly in Asia, using restrictions to protect lncrative markets of interest to western exporters.

South Korea is already feeling the heat. So too is China, whicb is under heavy pressure from the US, Australia and other agricultural exporters to relax SPS curhs on food imports as part of the price for WTO entry.

As for Japan, it is probably no coincidence that only last year Japan lifted a ban on US apples and accepted the use of certain US pesticides after a stand-off of 20 years.

World Trade News Digest

## Alcatel to bid for warship contract

Alcatel Alsthom, the French transport, telecoms and engineering group, has formed a consortium with VSEL of the UK and Electronic Data Systems of the US to bid for the communications system contract for the planned Horizon frigate.

The warship, which has been ordered by the British, French and Italian navies, is due to enter service in 2002. Bids for the Horizon programme will be made in July, according to Alcatel. It said preliminary development had been under way for several months.

Tha French group, one of the world's largest suppliers of telecoms equipment, will head the consortium through its Alcatel ISR subsidiary. VSEL will contribute naval expertise and applications technology while EDS will supply the software for the proposed system. *John Ridding, Paris*

■ US agricultural and construction equipment maker Case has sold 300 grain and rice combine harvesters to Turkmenistan in a $45m deal backed by the US Eximbank. Shipments will begin in mid-June. Turkmenistan and its neighbouring countries in central Asia form one of the major agricultural regions of the former Soviet Union. *Laurie Morse, Chicago*

■ Corning of the US has formed a partnership with Sony and Asahi of Japan to operate a television glass manufacturing plant. The partnership, American Video Glass, constitutes a $300m investment and will be operational in about two years. The plant will employ about 500 people. *Reuter, New York*

■ Rolls-Royce of the UK said one of its companies had won a contract worth more than £200m to build one of the largest electricity substations in the Saudi Arabian capital of Riyadh. *Reuter, London*

# Japan's foreign subsidiaries fly the financial nest

By Guy de Jonquières, Business Editor

More than half of all foreign direct lovestment (FDI) by Japanese mannfactnring enterprises oow appears to be financed locally by their overseas affiliates, rather than by remittances from parent companies, according to a snrvey hy the Export-Import Bank of Japan.

Local financing emerged as tbe main source of funding in the 12 months to March last year, when the survey found it accounted for 54 per cent of the valne of investment overseas by almost 400 Japanese manufacturers, np from 33 per cent the previons year.

The trend suggests FDI may be of diminishing importance as an element in Japanese capital ontflows, and that many Japanese companies are reinvesting a high proportion of profits in the countries wbere they are earned, rather than repatriating them.

The fall in tbe value of funding hy parent companies may also indicate that many Japanese companies which want to establisb a presence abroad have already done so, and that a growing proportion of new investments is to expand existing facilities.

That appears to borne out hy the finding tbat parent company remittances were the most important source of funding for investments in China and other parts of Asia where Japanese companies have only recently hegun expanding.

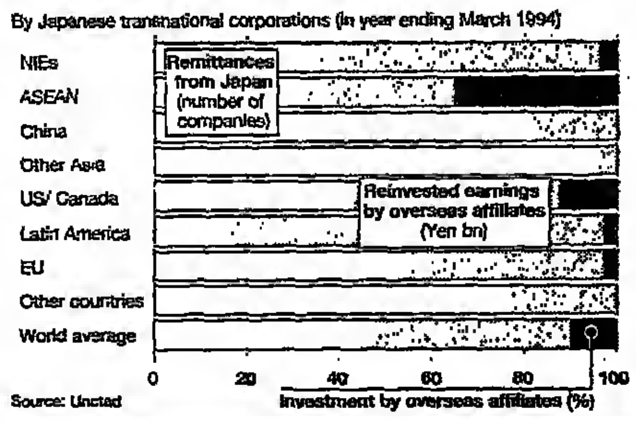
Tbe snrvey finds that reinvested earnings by foreign affiliates accounted for 44 per cent of total Japanese manufacturing FDI last year, and a further 11 per cent was financed hy affiliates' debt and share issues.

Reinvested earnings financed 83 per cent of Japanese FDI In Latln America, 61 per cent in the oewly Industrialised economies of Asia and 47 per cent in Nortb America. The relatively low proportion in Nortb America may be due to tbe poor profitahility of Japanese affiliates there, compared to most of Asia and Latin America.

● *Published in Transnational Corporotions, Vol. 4, No.1. Availnble from Ms Fiorinn Mugione, Division on Transnationol Corporations, Unctod, Palnis des Nntions, Room E-8103, CH-1211 Geneva 10, Switzerland. Tel: 4122-907 2943.*

**Foreign direct investment**

By Japanese transnational corporations (in year ending March 1994)




Source: Unctad

**RUGBY WORLD CUP**

**Huw Richards** discusses the increasingly important and complex role of the referee

# Pressure on the man in the middle

The odds are on British representation in the world cup final, hut possibly not in the way that most rughy fans would like.

Early form and tbe draw may make South Africa and New Zealand hot favourites to run out at Ellis Park a fortnight on Saturday, hut there is every chance that the 31st man on the field will be British.

Anyone whose nation makes it to the semi-final is ruled out, so personal ambition inevitably conflicts to some extent with national feeling.

Taking charge of a great match is no guarantee of preferment – one of tbe more inexplicahle decisions of the 1987 world cup was the dropping of Wales' Clive Norling after a hrilliant display of refereeing enabled an epically open France v Fiji quarter-final. But his compatriot Derek Bevan, who refereed the 1991 final, did no harm to his chances of a repeat appointment with his authoritative handling of the emotionally charged opening match between South Africa and Australia.

Three British referees and a New Zealander will he in charge of the weekend's quarter-finals. Kiwi David Bishop will referee the match between Australia and England. England's Ed Morrison will take charge of the France-Ireland game, Scotsman Jim Fleming will handle South Africa-Western Samoa and Derek Bevan will rule on the New Zealand-Scotland match.

Bevan, whose 27 internationals are a record for a referee, has been endorsed by Australian captain Michael Lynagh as the world's best.

Standards are under close scrutiny.

Referee Clayton Thomas of Wales watches Italian scrum-half Alessandro Troncon's dive pass against Argentina *Reuter*

Some analysts believe the game has become too complex and faat-moving for a single referee. Received wisdom points to a north-south divide on interpretation – Australians and New Zealanders dedicated to continuity while Europeans interpret the rules more strictly.

But the early stages have been happily uncontroversial – with the locking-in of a group of referees gathered in an Ellis Park, Johannesburg, hospitality suite for New Zealand v Ireland put down to cock-up rather than conspiracy.

Common sense has ruled at the line-out. The profusion of penalties reflects high-class kicking in ideal conditions as much as refereeing pedantry.

The central dilemma for referees is encapsulated hy the offside rule. To enforce it strictly is to run the risk of an endless stream of kicks at goal awarded for apparently technical offences. Not to do so risks making the game unplayable, as attackers are deprived of time and space. Finding the balance, as Bevan did at Cape Town, is the difficult bit.

The north-south divide is less evident than previously. Southern hemisphere critics may have seen Jim Fleming's strict handling of England v Argentina, impressing Rob Andrew's kicking action firmly on the memories of every spectator as typically pedantic European refereeing. But it was little if at all different from Barrie Leask of Australia's control of Scotland v Tonga – enabling Gavin Hastings to take 12 shots at three-pointers and convert eight – or American Don Reordan's handling of Tonga v Ivory Coast.

The main controversy has surrounded the award of penalty tries, with former South African international referee Freek Burger arguing that the award of two such scores to Ireland against Japan was unfair because the outweighted Japanese pack had buckled under pressure rather than deliberately collapsing scrums. But neither these nor the other three penalty scores awarded in the opening stages affected final results.

But this lack of controversy reflects the absence of tension in many opening-phaae matches. Group matches gave every team three chances. From now on there is only one.

The marginal decision that could be ignored in that easy opening-stage win may suddenly be the difference between a chance of winning the competition and tomorrow morning's flight home.

The bench-clearing brawl that disfigured Canada v South Africa, and led to three sendings-off, reflected tension borne of the possibility at the start of the game that a Canadian win might take them through. For referees as much as players, the real pressure is just beginning.

# The big money issue that won't go away

Rugby world cup has in some respects resemhled a joyous wedding where, out of deference to the occasion, one hardly speaks of the huge family row rumbling away in the background and coming closer.

Of course, some relatives are whispering behind their hands, and rumours are overheard. Yet overall the atmosphere is decorous, *en fête*.

Professionalism is, of course, the issue that will not go away. And the bigger and more splendid the party, the more attractive it is to the media moguls who lurk outside the marquee.

Representatives of hoth Kerry Packer and Rupert Murdoch have been active in South Africa, both extending the territory of their television warfare over rughy league and investigating the possihilities of a rugby union circus organised on a professional basis.

League is providing an enormous lever for those players who wish to move the International Board towards a pay-for-play deal. "Rugby must go pro at international and provincial levels," said Australian centre Tim Horan last week. "It's just beginning hack in Australia and has been happening here in South Africa for years."

He added that when the change happens it must be big, with no half measures. Even the most adamant traditionalists would be hard-pressed not to see the need to compensate international players. The demands on time, for touring and training, are so great that a normal professional life is impossible.

Shortly before he left for South Africa, England full back Jonathan Callard found himself in an impossible situation with Downside, the Roman Catbolic boarding school where he teaches. Finances are tight and, at a time when the headmaster was making colleagues redundant, Callard was asking for nearly a term of leave.

"Under the present regime the RFU can't even compensate the school to cover the cost of a supply teacher," said Callard. "How do you think I feel when some of my friends are being sacked, others are working harder to cover my absence, and I'm swanning off to Africa to play rugby?

"I don't want play rugby for a living. I love teaching. But something has got to change."

Of the current England squad only two have no real worriea about the conflict between career and sport: Tim Rodber, a captain in the Green Howards, and Rory Underwood, an RAF pilot.

In a real sense one might say that those two organisations are "sponsoring" the playars for the reflected glory and lustre they bring to the respective services. Yet while full houses at Twickenham or Ellis Park show that international rugby can afford to pay for its performers, it would be dangerous to suppose that this translates directly downwards to a professional game on a domestic level – even if the players wanted it.

Bath, the most successful club in English rugby, have a ground that would be tiny by the standards of the lowest division of football.

Sponsorship and regular crowds of 3,000 or so do not pay a wage bill of a minimum £500,000 a year for a 25-man squad. Rugby being a predominantly middle-class sport, many of the players could earn far more in their careers as accountants or surveyors.

Aside from the logistics of meeting club payrolls there is something more precious at stake. Vernon Pugh, the chairman of the Welsh Rugby Union and former head of the International Board, has the task of pulling together workable proposals on professionalism for an August summit.

"We do have a central hypocrisy within rugby that, as a lawyer, I find incredibly difficult to live with," admitted Pugh, a barrister with a practice in Cardiff and London. "There's no way back, no way of staying within the current regulations because they are being totally flouted by unions who won't enforce the rules."

Pugh will take the chair at what he accepts will be the most vital few days in the game's history. He knows what he seeks to retain, but is still uncertain of the best way to achieva it.

"I am frightened to death of losing the particular ethos rugby has," mused Pugh. "It can be incredibly violent – the most physical sport played without padding or protection – yet people are generally very good friends at the end of a game. It does have something quite special that very few other sports have.

"That may be linked to the fact that generally people aren't paid to play. Where you have the capacity for such violence on the field I suspect it won't take very long to spill over if a few week's wages are dependent on whether or not you win."

**Keith Wheatley**

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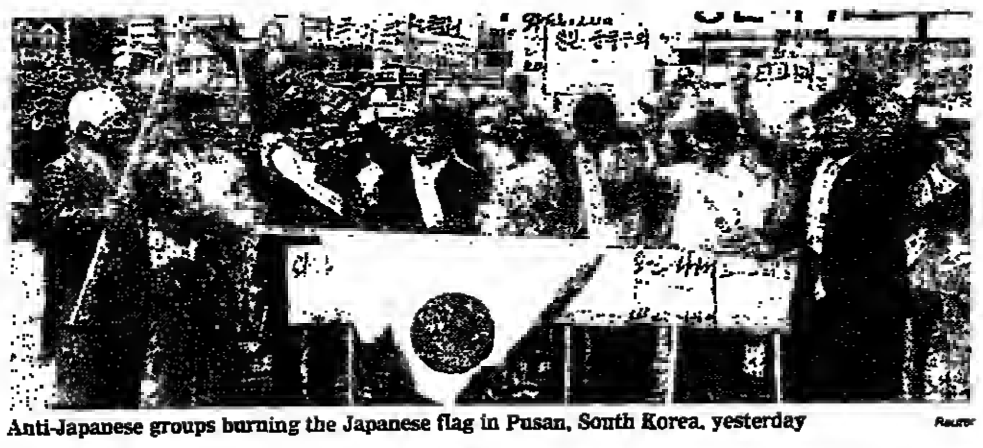
**NEWS:** ASIA-PACIFIC

# Japan's war apology leaves few satisfied

By Gerard Baker in Tokyo



Anti-Japanese groups burning the Japanese flag in Pusan, South Korea, yesterday — Reuter

It may have been 50 years in the making, but the resolution agreed by the Japanese government late on Tuesday seems unlikely to settle soon the dahate at home and abroad about the extent of Japan's culpahility for acts of aggression in the second world war.

While a number of foreign governments dismissed the draft statement as an inadequate expression of remorse, some conservative politicians at home said it went too far in acknowledging the country's responsibility for the war.

The statement, agreed after months of tortuous negotiations between the members of the coalition government, will now be presented to the Diet (parliament). It must be formally approved there before the recess in two weeks if it is to take its place as Japan's definitive statement of regret in advance of the 50th anniversary of the end of the war in August.

The two smaller coalition partners – the Social Democratic party of Prime Minister Tomiichi Murayama and the New Harbinger party – had wanted to formulate an explicit apology.

But the largest coalition member, the Liberal Democratic party, mindful of the strong feelings of the bereaved families of war dead, was anxious to offer merely a general expression of regret at the suffering. Many in the LDP and in the country at large regard the war as one of liberation which resulted in the emancipation of Asian countries from the western colonialist yoke, and thus not a matter for apology.

The English translation of the compromise seems to support the proposition that the SDP and New Harbinger party largely got their way. Its most important passage states: "Looking back at the various instances of colonial rule and acts of aggression in modern world history and recognising the fact that we carried out both such acts and the suffering we brought to the citizens of other nations, especially in Asia, the House expresses deep regret."

Though the crucial word "regret" – in Japanese *hansei* – is a mild term, meaning in fact something like gentle remorse, its qualification by the adjective *fukai*, meaning deep, underlines its apologetic status.

Mr Wataru Kubo, SDP secretary-general, said: "What we had sought has been adopted." He pointed out that for the first time there would be an explicit parliamentary acknowledgement of Japan's colonialism and aggression against Asian countries.

Mr Yoshiro Mori, LDP secretary-general, revealed the difficulties his party had had with the final phrasing. "We had our own thoughts about the correct interpretation – how to understand and express views about history. That was the most difficult point." Several LDP members said they would abstain in the vote in the lower house of the Diet. The resolution, however, is virtually assured of success since it will not be opposed by the main opposition New Frontier party.

A key sticking point was removed at the 11th hour in the negotiations. The LDP wanted to water down the word "aggression" by adding a Japanese suffix, which would convey the meaning "aggression-like". The SDP opposed the move, but a late telephone call to the foreign ministry revealed that the proper English translation of the phrase would, in any case, still be "aggression", so the LDP's suggestion was approved.

And the LDP also got its way in placing the Japanese record in the very broad context of all aggression conducted in history. "The resolution is quite canny in putting the Japanese actions into the framework of the entire modern history of human suffering, rather than as an isolated act of violence," said Mr Takashi Inoguchi, professor of history at Tokyo University. That generalised context was too much for some Asian governments, which gave the resolution a frosty reception yesterday.

The Korean ambassador to Japan said the draft was a retreat from previous public statements by the prime minister and others. The Chinese official news agency reported the statement without comment.

Asian governments will regard the process of reaching agreement as more revealing of Japanese opinion than the statement itself. The spectacle of the LDP, Japan's largest and most powerful party, being dragged kicking and screaming towards a half-hearted expression of regret will not convince neighbours that the country is genuinely remorseful.

But despite the semantic sleight-of-hand and the LDP's contortions, the resolution is still a landmark. Given the current realities of Japanese politics, it represents the closest the country could have come to a wholehearted apology – a considerable achievement for those who have tried for decades to force a reluctant nation to acknowledge the brutality of its past.

# NZ inflation pressure 'underestimated'

By Peter Montagnon, Asia Editor

Brash: 'uncomfortable position'

There is an "appreciable risk" that New Zealand's underlying inflation rate will exceed 2 per cent in the current quarter, breaching the official target for the first time since a new regime for the central bank was introduced four years ago, Mr Donald Brash, Reserve Bank governor, said yesterday.

A number of private sector forecasters estimate the rate could be as high as 2.2 or 2.3 per cent, and that it may remain above 2 per cent in the third quarter as well, he said in an interview in London.

"That's quite an uncomfortable position for me to be in," said the governor. Under New Zealand's unique charter with its central bank, the governor enjoys wide independence but is contractually obliged to take adequate steps to control inflation.

Until the recent surge in economic activity which saw gross domestic product growth of almost 6 per cent in the year to March, the governor's contract has not been put to serious test. Other industrial countries have been carefully watching the response.

Mr Brash admitted that the Reserve Bank had underestimated inflationary pressures last year, particularly in the housing and construction sectors. It had tightened policy insufficiently, even though three month money rates were nearly doubled to 9.3 per cent last year, a larger increase than that undertaken by the US and Australia.

There was no need to tighten further, as inflation was expected to subside towards the end of the year, he said. But nor could there be any easing in spite of market pressures to that effect as banks fund their lending further along the yield curve where rates are lower.

Economists say the breach of the target is unlikely to lead to Mr Brash's dismissal under the terms of the contract because it is likely to be minor and short-lived. One risk is that any successor would then err too much on the side of caution.

Yet Mr Bill Birch, finance minister, cannot take it too lightly without undermining credibility in New Zealand's unique anti-inflation policy, they add.

Mr Brash said low wage increases had been one of the benefits of the policy. "Two or three years into quite strong economic growth wage settlements appear to be reflecting a fairly strong consensus that prices can remain stable," he said.

Moreover, the economy had been operating very close to full capacity, "which means that in real terms the actual output foregone as a result of the tightening is not substantial," he said.

## Keating sets out 'blueprint' to replace British monarchy

# Australia to hold republic vote by 1999

By Nikki Tait in Sydney

The Australian government aims to hold a referendum in 1998 or 1999 on whether to cut ties with the British monarchy, Prime Minister Paul Keating said in a televised parliamentary address last night.

If Australians were in favour, the constitutional change would come into effect "no later than the centenary of Australia's federation in 2001".

Outlining his Labor government's favoured "blueprint" for an Australian republic, Mr Keating said it should be headed by a president, appointed for a non-renewable five-year term.

The president would be nominated by the prime minister, but would have to be approved by a two-thirds majority of both houses of parliament sitting together, in effect ensuring bipartisan agreement on the nominee. Politicians would be barred from the presidency unless they had been out of federal or state parliament for at least five years.

At present, the British monarch is Australia's head of state, but is represented in Australia by a governor-general. The governor-general is appointed by the monarch, acting on the advice of the premier.

Under the government's blueprint, an Australian president would have the right to resign, but could also be removed by a two-thirds majority vote in a joint parliamentary sitting.

"This is the final step to becoming a fully independent nation. It will permit full and unambiguous expression of Australia's national identity," Mr Keating said.

The statement, which Mr Keating stressed was a preferred position only, is set to unleash months of heated debate, with monarchists and republicans gearing up for big campaigns. Recent opinion polls have indicated most Australians favour cutting constitutional ties to Britain, a reversal of the position three or four years ago.

Three opinion polls have put support for a republic at 47-52 per cent, with the percentage opposed to the idea significantly below that. The same polls indicate most Australians would like their head of state elected by popular ballot, not appointed by politicians in Canberra.

On this score, Mr Keating's proposals, though expected and defended on the grounds that a popular election would give a president "a basis for power... fundamentally at odds with our Westminster-style government", seem certain to cause fierce argument.

A second thorny issue is what powers should be given to a new president. Now, the governor-general retains extensive powers, including so-called "reserve powers" enabling him to act against ministerial advice and even dismiss the prime minister, though in practice the role is largely ceremonial.

Yesterday, Mr Keating suggested all the powers held by the governor-general, including the reserve powers, should be transferred to an Australian head of state, but not strictly delineated.

The states should be free to decide their own constitutional arrangements, he added. This is another potential complication, since any state could opt to continue to recognise the British monarch as its own head of state, regardless of the national decision.

Some critics have viewed the prime minister's move to step up the tempo on the republic debate as an attempt to embarrass the coalition opposition before the next federal election, to be held by early 1996.

Earlier this week, Mr John Howard, opposition leader, pledged to hold in 1997 a "people's convention" to examine the Australian constitution.

Mr Keating responded yesterday: "At most, a convention is only a source of advisory opinion. The government will listen to what the people have to say, but it is the government's responsibility to put to the parliament the bills which will frame the questions for the referendum. Only then will true democracy prevail."

ASIA-PACIFIC NEWS DIGEST

# Korea Telecom chief sacked

The South Korean government yesterday sacked the president of the state-run Korea Telecom, replacing him with a former four-star army general, in another sign Seoul intends to crack down on dissident labour activity in the company. The management change came a day after police conducted an unprecedented raid on Seoul's main Catholic cathedral and Buddhist temple to arrest 13 Korea Telecom union leaders.

Mr Cho Paek-je was fired as Korea Telecom president after government auditors alleged he had let the company union divert funds to a oew dissident trade union group. Mr Cho's successor was Mr Lee Joon, former commander of South Korea's first army corps, described as "the right person to restore order" at Korea Telecom, a presidential spokesman said. Buddhist and Catholic leaders condemned the police intrusion into the religious centres and threatened to take "strong measures" against the government unless those responsible for the raids were punished. The government said the raids were needed to end strife at Korea Telecom which threatened security and public welfare. *John Burton, Seoul*

## Defence chief pays for Aum

Mr Tokuichiro Tamazawa, head of Japan's Defence Agency, will take a temporary pay cut over the involvement of several members of the Self Defence Forces, Japan's military, in illegal acts linked to Aum Shinri Kyo, the doomsday cult whose leaders have been charged with murder for a subway nerve gas attack in March. Opposition politicians had called for Mr Tamazawa's resignation.

Five junior officers have been dismissed from the forces, of whom three were arrested on charges including the staging of a fire bomb attack on Aum headquarters in order to prompt sympathy for the sect, and breaking into a laboratory belonging to Mitsubishi Heavy Industries, a leading defence contractor.

Meanwhile prosecutors indicted three more sect members yesterday on alleged murder and attempted murder charges for the sarin nerve gas attack. *Emiko Terazono, Tokyo*

## Malaysian GDP growth at 9.9%

Malaysia's economy continues to expand briskly. Bank Negara, the central bank, said gross domestic product increased 9.9 per cent in the first quarter of the year, against 9 per cent in the last quarter of 1994. The strong performance was mainly due to over 15 per cent growth in manufacturing and 14.5 per cent in construction. The figures show little sign of a slowdown in consumer demand, the strength of which has been partly responsible for a widening current-account deficit. *Kieran Cooke, Kuala Lumpur*

■ Philippine privatisation has generated 28.1bn pesos (£685m) since it started in 1987, the Assets Privatisation Trust said. The government received 1.19bn pesos in the first three months of this year from asset sales. *Reuter, Manila*

■ Australian industrial growth slowed to a seasonally adjusted 0.3 per cent in the March quarter from 0.7 per cent in the three months to December, the Australian Bureau of Statistics said. Year-on-year growth was 5.4 per cent, the slowest since the September 1993 quarter. *Reuter, Canberra*

## Britain faces criticism for 'sell-out' over supreme court

# Hopes high as HK talks resume

By Simon Holberton in Hong Kong

Sino-British talks on the future of Hong Kong's legal system resumed yesterday, amid hopes for a settlement to the dispute over the colony's supreme court and criticism of Britain for "selling out" the rule of law in the colony.

Mr Alan Paul, British team leader, said a "full and useful" meeting had made "substantive progress". The two sides had narrowed their differences and resolved to continue talks this morning, he said. An agreement would be welcomed by many in Hong Kong and help settle nerves in the business community about the colony's reversion to Chinese sovereignty in 1997.

British officials said they were heading towards such an agreement "but we are not there yet". Recent remarks by Mr Qian Qichen, China's foreign minister, had been encouraging, they said.

Mr Qian said in an interview with the Financial Times this week that both sides could work together to prepare for a court of final appeal, as the colony's highest court will be known. But the court could become operable only after China resumed sovereignty over Hong Kong in mid-1997, before which appeals would continue to be made to Britain's Privy Council.

Britain is treading a difficult path in these talks. It already has a 1991 agreement with China to establish the court before 1997. To cancel that agreement under pressure from Beijing in favour of another would raise doubts about China's ability to honour its promises; it would also bring down on British ministers accusations of betrayal.

One almost complete solution to the problem would be for legislation, agreed by both countries, to go before the Legislative Council, Hong Kong's lawmaking body, this summer. This bill would enable the court to be set up, but defer its start date until July 1 1997.

That would still leave Governor Chris Patten and senior officials having to explain away their previous advocacy of the early establishment of the court, on the basis that it needed judicial experience before the handover.

Mr Martin Lee, chairman of the Democratic party, said if Britain were to drop its plan to set up the court before 1997, it "will be abandoning any pretence of defending the rule of law in Hong Kong". Underlining the profound distrust with which his party views the Chinese government, Mr Lee said only a properly constituted court established before 1997 could provide some hope for justice under the law after Hong Kong reverts to China.

Mr Jimmy McGregor, an independent democrat, said Britain should examine Mr Qian's proposals. He warned of "complete confusion" and damage to business confidence if Hong Kong were to be subjected to a row over the court.

# Mr Lee 'demands the impossible'

By Laura Tyson in Taipei

When Taiwan's President Lee Teng-hui spoke last year of "the sorrow of being born a Taiwanese", the island's first native-born leader struck a chord in the hearts of his countrymen. So as he was about to set foot on US soil yesterday, the island's first leader ever to do so, most Taiwanese were fiercely proud of the man they believe speaks for them.

"Faced with problems, we must be realistic," said Mr Lee, an avid golfer with a signature toothy grin, said shortly before his red-carpet departure on an aircraft bound for Los Angeles. But at the same time, he added: "We must demand the impossible."

The remarks may appear cryptic to the outsider, but the Taiwanese know he refers to the island's seemingly insoluble predicament: how to be accepted into international society as an independent sovereign nation without provoking an attack from China. Beijing regards the island as a rebellious Chinese province and threatens to use force to regain control.

Mr Lee's trip to the US brings diplomatically isolated Taiwan one small step closer to the impossible. Billed as a private visit to an alumni reunion at his alma mater, Cornell University, the trip is seen as Taiwan's biggest foreign policy coup in two decades. It has enraged Beijing, which bullies other countries into denying Taiwan formal recognition.

Taiwan, once known as Formosa, has been ruled by outside powers since the 16th century. The Dutch, the British and the Portuguese all once laid claims, as did China's Qing dynasty. Imperial Japan ruled the island for 50 years until 1945. Even Generalissimo Chiang Kai-shek's Nationalist Chinese government, which took refuge on the island after losing China's civil war in 1949, was a "foreign regime", Mr Lee himself – astonishingly – has said.

But that is about to change. Taiwan will hold its first direct presidential elections in March 1996. Mr Lee, who has served since 1988, has yet to declare his candidacy, but the US trip is likely to seal his victory should the already popular president decide to run as expected.

Under Mr Lee's stewardship (and US duress), Taiwan has become one of Asia's most vibrant if tempestuous democracies. This has pleased an often Republican-controlled US Congress anxious to keep China at bay. It has also grown richer, with foreign exchange reserves which topped US\$100bn (£2.45bn) at the end of last month.

Mr Lee was born into a rural family of modest means in 1923, under Japanese colonial rule. He studied at first at Kyoto Imperial University in Japan, then at National Taiwan University. He received a masters degree from the University of Iowa and later a PhD in agricultural economics from Cornell in 1968.

Like many of his countrymen, his first language was Taiwanese, followed by Japanese – his best foreign language – and then English. His weakest language is Mandarin, the language of the ruling élite from the Chinese mainland. Mr Lee has said that he considered himself to be Japanese until he was 22. Today, economic and cultural ties with Japan remain close. Many senior Taiwanese officials studied in Japan.

But equally, Mr Lee was greatly influenced by his time in the US. Much as Taiwan was to a large extent moulded in the post-war period by its largest ally and benefactor, generations of Taiwanese students have been impressed by the US political and economic freedoms and ideals.

The upper echelons of government, industry and academia are replete with PhDs from top US universities. Mr Lee often proudly refers to Taiwan as the "first democracy on Chinese soil".

## Pyongyang may compromise

# N Korea and US near reactor pact

By John Burton in Seoul

The US and North Korea yesterday appeared close to solving a dispute about which country will provide light-water nuclear reactors to Pyongyang.

Under a US-North Korea nuclear accord last October, the light-water reactors were promised to Pyongyang in return for shutting its suspected nuclear weapons programme. The US has demanded North Korea accept the reactors from South Korea, but Pyongyang has insisted on procuring the reactors from the US or elsewhere.

Officials in Seoul said North Korea has agreed to accept the reactor type stipulated by the international consortium supervising the project, which means two South Korean-built reactors.

It is possible the national origin of the reactors would not be specified in the reactor contract signed between North Korea and the Korean Peninsula Energy Development Organisation (Kedo), which mainly comprises the US, South Korea and Japan. North Korea is requesting that the reactors be described as coming from the US.

Disguising the origin of the reactors would be a face-saving gesture to appease North Korea, which has opposed accepting the South Korean reactors for reasons of national pride. It is still uncertain whether Seoul would accept this compromise, since it has repeatedly demanded the reactor be labelled South Korean in the contract.

The US has insisted South Korea should be the main contractor since Seoul is financing more than half of the \$4bn (£2.5bn) project.

Mr Thomas Hubbard, the US negotiator heading the talks with North Korea in Kuala Lumpur, refused to disclose details about a possible breakthrough. He confirmed the two sides had made progress and reached a "tentative" agreement, but the accord still needed to be approved by their home governments and the two other main Kedo members.

North Korea had demanded that Kedo must also provide \$1bn in related facilities if it accepted the South Korean reactors. It has temporarily abandoned that demand, but will discuss the issue with Kedo at a later date.

North Korea had warned it would restart its suspended nuclear programme if a reactor contract with Kedo was not signed soon. Observers see the threat as empty.

# Thatcher exonerated on arms for Iraq

By Jimmy Burns in London

Baroness Thatcher, the former prime minister, has been exonerated by the Scott arms-for-Iraq inquiry of any blame for giving an "inaccurate" statement about government policy on arms sales.

Sir Richard Scott, the judge heading the inquiry, yesterday told Lady Thatcher's aides that newspaper reports yesterday were wrong. The reports claimed that his draft report criticised the former prime minister. A leaked extract from his draft report, which had resulted in the press reports, was incomplete.

The leaked extract says that in August 1989 Lady Thatcher wrote to a voter who queried the government's policy on sales of British Aerospace Hawk trainer aircraft to Iraq.

Lady Thatcher said there could be no change to the government prohibition on the sale of lethal or defence-related equipment which could significantly enhance the capability of either side in the Iran-Iraq war to prolong or exacerbate the conflict.

The leaked extract from the draft report then says: "In the case of Mrs Thatcher's letter the text continued: 'That policy still applies.' These statements are inaccurate.".

However the subsequent paragraph, not in the material leaked to the press but released by Sir Richard yesterday, states: ". . . But the paper has been concentrating on Hawk and I do not think that Mrs Thatcher can be blamed if, when signing the letter of 21 August 1989, she did not recall the implications of the reference to the guidelines in the Ministry of Defence's Hawk paper."

In his letter yesterday to Lady Thatcher's office, Sir Richard said he had not sent a copy of the draft sections of the report referring to the correspondence on Hawk to Lady Thatcher "because the judge does not regard them as critical of her conduct".

Sir Richard has been sending copies of draft extracts of completed sections of the report to people who have given evidence to his inquiry and are criticised in the drafts. A close adviser to Lady Thatcher had confirmed earlier yesterday that she was sent other draft sections of the report by the judge earlier in the year. She had been sent nothing containing any reference to the August letter.

In her evidence to the inquiry Lady Thatcher said she had no personal knowledge of exports to Iraq which were known to be defence-related. This is accepted by Sir Richard.

## MP scorns 'xenophobic and fundamentally unpatriotic' Eurosceptics

# EU enthusiasts fight back

Pro-European MPs from the three main political parties yesterday launched a fightback against Eurosceptic demands for a reassertion of UK sovereignty and a reduction in the powers of the European Union, our Political Correspondent writes.

The cross-party European Movement, which played a leading role in the British referendum of 1975 on remaining in the European Community, promised an "offensive" against the minority of Eurosceptic MPs in the run-up to the EU's intergovernmental conference next year.

In deliberately aggressive language designed to signal an end to years of low-profile activity, Mr Giles Radice, the Labour MP who chairs the group, promised to expose the Eurosceptics as "xenophobic, nihilistic and fundamentally unpatriotic".

Launching a "Britain in Europe" campaign to put the case for EU membership, Mr Radice announced a revamped leadership team of five vice-chairmen drawn from pro-Europeans with a campaigning track record. They included Mrs Edwina Currie, popular novelist and former Conservative minister; Mr Charles Kennedy, former president of the centrist Liberal Democrat party; and Mr Peter Mandelson, former Labour director of communications.

The European Movement claims the active support of about 100 MPs. Most pro-Europeans estimate that between two-thirds and three quarters of the 651 MPs are broadly sympathetic to EU membership. However, the campaign coincides with an upsurge of Eurosceptic activity. Labour's Euro-Safeguards campaign, which claims support from 60 MPs, urged Labour this week to start "rolling back the frontiers of the emerging European state."

Mr Radice, a former Labour front bench spokesman and author on European issues, called on pro-Europeans in the three main parties and the business community to rally to the EU cause. "The antics of the Eurosceptics are no longer just damaging our relations with our European partners; they are threatening our membership of the European Union itself," he said. "This is the beginning of the fightback."

In a statement of its objectives, the European Movement said the UK should play a full and constructive part in the IGC, which many Eurosceptics fear will seek to lay the groundwork for a federal Europe. "Any kind of second-class membership of the EU would weaken Britain's power and influence over events that have a direct bearing on our economic and political interests," the statement said.

"Withdrawal would result in political isolation and a diminished status for our country. Having found a role for Britain in the modern world, nothing would be more irresponsible and unpatriotic than to throw it away."

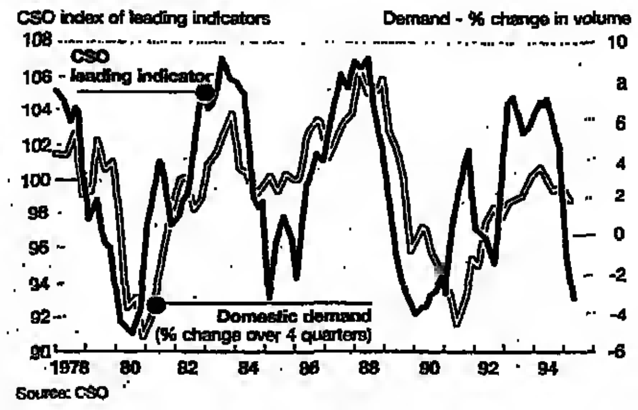
The other vice-chairmen are Ms Emma Nicholson, Conservative MP for Devon West and Torridge, and Professor Alan Watson, chairman of Burson-Marsteller public relations and a former Liberal president.

## The economy: Indicators suggest that growth may falter in summer

# Slowdown in US may be emulated

By our Economics Staff

**Pointing the way?**



Source: CSO

Fresh hints that the UK may emulate the economic slowdown in the US emerged yesterday as the chancellor of the exchequer and the governor of the Bank of England (the UK central bank) met to discuss interest rates.

The Central Statistical Office's longer leading indicator, which uses information from a variety of sources to forecast turning points in the economy, fell for the tenth month in a row, implying that growth may falter this summer.

The leading indicators have a mixed record in predicting the economy, and economists are sharply divided about their value. Indeed, though some City of London institutions follow the data closely, the CSO itself is considering scrapping them.

Nevertheless, the scale of the recent US slowdown has taken economists by surprise and suspicions are growing in some City quarters that the UK economy may be weaker than expected this year.

Although growth is expected to accelerate next year as consumers spend more, some banks and brokers have downgraded their forecasts. Meanwhile, with the markets having also reduced their interest rate expectations in recent weeks, most economists concluded that Mr Kenneth Clarke, the chancellor, was likely to have left rates unchanged yesterday at his regular monetary meeting with Mr Eddie George, the governor.

By the close of trading, banks' base rates were still at 6.75 per cent. The Bank of England has indicated that rates will need to rise again later this year if the government is to hit its target of keeping inflation below 2.5 per cent by spring 1997.

However, signs that domestic demand is slowing left Mr Clarke reluctant to raise rates last month. The Treasury itself yesterday noted in its monthly monetary report that recent data confirmed "a slowdown in growth to a more sustainable but still healthy rate".

Further indications of muted activity on the domestic side of the economy emerged in government housebuilding figures showing a 7 per cent fall in properties started in the three months to April compared with the previous three months.

Editorial comment, Page 13

# Share fraud allegation is challenged


Maxwell pension funds received full payment of £100m ($159m) for shares at the centre of the alleged fraud on pensioners, lawyers for Mr Kevin Maxwell claimed yesterday at the Central Criminal Court in London, our Law Courts Correspondent writes.

Mr Alun Jones challenged the prosecution's allegation that the pension funds were never paid for shares in Scitex, an Israeli company, which were transferred to Robert Maxwell's private companies in July 1991.

However, his claim was repeatedly denied by Mr Trevor Cook, the former administrator of Bishopsgate Investment Management (BIM), the managers of the bulk of the Maxwell pension funds.

Mr Kevin Maxwell is accused, along with his father Robert Maxwell, of conspiring to defraud the pension funds by dishonestly pledging the Scitex shares to get credit for the Maxwell private companies. Mr Kevin Maxwell is also accused, along with his brother Mr Ian Maxwell and two former advisers to the late publisher, Mr Larry Trachtenberg and Mr Robert Bunn, of conspiracy to defraud over their use of shares in Teva Pharmaceuticals, another Israeli company.

Mr Jones said that BIM records showed the £100m was paid by the private companies to the pension funds through inter-company accounts and that Mr Cook had known this. Records had later been altered to suggest no payment had been made, Mr Jones said.

He told Mr Cook: "In late November 1991, when it looked as though the group was in serious trouble, you got embarrassed by the fact you had agreed payment for these shares to be through inter-company accounts and people might think you had been simply incompetent in losing £100m".

Mr Cook denied this, insisting no BIM records showed payment for the shares.

UK NEWS DIGEST

# Exchange warns of Internet risk

The London Stock Exchange warned yesterday of the growing danger posed by the Internet and its World Wide Web of computer networks for the future regulation of financial markets. Fraudsters, insider dealers or disgruntled employees can transmit information to "bulletin boards" – special electronic sites on the web – which could be used to disrupt the market. Internet growth is one of the challenges facing the exchange's surveillance department in the fight against fraud.

"By far the most gargantuan task is to monitor the information available to the market," Mr Adrian Wilson of the surveillance unit told a conference on financial crime. "It is not inconceivable that a web site could be created on the Internet. It is perfectly possible for anyone to post anything anonymously to that site." As well as malicious rumour-mongering or information leaks, accountants, lawyers or brokers could deal in a share where they have inside information on an impending bid, post details to the net and cash in on share price rises.

"The Internet is an area that is extremely vulnerable; it's there at anyone's disposal," said Mr Victor Trocki of regulation consultants and conference organiser Compliance Control. For private agencies, called in to investigate fraud and advise on computer security, net use or abuse is already a reality. "We've actually seen information placed on bulletin boards by disgruntled employees leaving banks, which anyone can use," said Mr Martin Samociuk, chairman of Network Security Management, a specialist agency owned by merchant bank Hambros. *Reuter, London*

## Profits for member firms decline sharply

London Stock Exchange member firms had their least profitable year last year since 1990, with members bearing an overall loss of £127m against profits in 1993 of £1.2bn ($1.8bn), says the exchange's Spring 1995 Quarterly. In 1992, stock exchange member firms had a profit of £89m. Firms faced a 10 per cent rise in expenditure to £3.5bn which reflects high fixed costs and the decision by many firms not to cut bonuses out of fear of losing key staff. Revenue fell by 22 per cent from the previous year to £3.4bn, with a particularly marked downturn in the fourth quarter of 1994. The data are based on a survey of 253 firms which showed a sharp divergence in performance.

● The Securities and Investments Board, the City of London's chief regulatory watchdog, said it had formally recognised Tradepoint as an investment exchange, thus recognising the first serious competitor to the London Stock Exchange. Tradepoint will allow those who want to buy or sell shares to bypass the marketmakers, who are typically the largest and most powerful members of the stock exchange. Orders would be advertised directly and anonymously via a screen.

*Norma Cohen, Investments Correspondent*

## Top ministers disagree over threat to ILO

A serious difference of opinion has broken out in the cabinet over the UK's future membership of the International Labour Organisation. The row is between Mr Douglas Hurd, the foreign secretary and Mr Michael Portillo, the employment secretary. Mr John Major, the prime minister, appears to support Mr Portillo. Officials at Mr Major's office said the government was considering the benefits of the UK's ILO membership. "We pay a subscription of around £8m ($12.5m) annually and we are bound to look carefully at the value we are getting for that." Mr Portillo is angry that the ILO is likely to condemn the UK for outlawing unions at the government's communications intelligence centre 11 years ago.

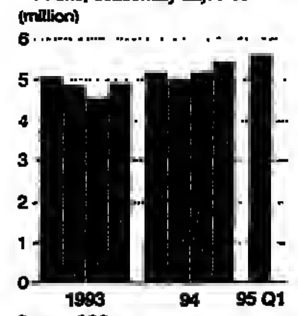
But the Foreign Office took a much more conciliatory line than the Department of Employment last night. "There is no question of us pulling out of the ILO although of course we will make sure we get value for money," the Foreign Office said. "If we were going to withdraw, that would have to be done by the foreign secretary. He is responsible for overseas institutions of which we are members." Next week the UK could be condemned by this year's ILO conference for the decision taken 11 years ago by Baroness Thatcher, when she was prime minister, to ban unions at the government's military intelligence gathering centre at Cheltenham.

*George Parker and Robert Taylor*

## Number of tourists from N America up 12%

**Visitors to the UK**

All visits, seasonally adjusted (million)



Source: CSO

The number of tourists visiting the UK increased to 5.6m in the first three months of the year compared with 5.2m in the same quarter last year, according to government figures. Visitors from north America increased by 12 per cent while those from the rest of the world (excluding Europe) increased by 19 per cent. Visitors from mainland Europe rose by less than 1 per cent. Spending by overseas visitors rose 5 per cent over the same period to £2.8bn ($4.4bn). The number of UK residents going to other countries fell by 9 per cent to 9.7m while their spending was down 11 per cent to £3.5bn.

*Scheherazade Daneshkhu, Leisure Industries Correspondent*

## MPs demand more controls on security guards

A committee of the House of Commons committee called for tighter regulation of the private security industry, claiming that existing standards of recruitment and training were inadequate. The home affairs committee said the "worst examples" of poor standards were in the manned-guarding sector, particularly with regard to "totally unregulated private patrolling operations, often preying on the fears of vulnerable people". Under the plan proposed by MPs, it would be a criminal offence for guards to operate without a licence or for companies to employ unlicenced guards.

The West Midlands Low Pay Unit complained that the committee had overlooked "the urgent need to protect guards from what are unacceptably low wages and appalling employment conditions". The unit has found that the average hourly pay of contract guards is £2.69 ($4.22) an hour and that the average number of hours worked each week is 67.

*Andrew Adonis and Paul Cheeseright*

**Battle armour:** 43 English battlefields are to be given special heritage status to protect them from development. The earliest will be Hastings in south-east England, where William the Conqueror defeated the Saxon King Harold in 1066. The latest will be Sedgemoor in the south-west, the last battle in England, where in 1685 James II repulsed an invasion led by the Dukoe of Monmouth.

## Registrations in first five months of 1995 up 20% on a year before

# Truck sales rise while cars decline

By John Griffiths in London

The UK commercial vehicle market is starting its third consecutive year of growth after enduring the steepest downturn in its history at the start of the 1990s.

Figures from the Society of Motor Manufacturers and Traders show that total new registrations of commercial vehicles rose for the 25th consecutive month in May, with registrations for the first five months of the year as a whole running nearly 20 per cent higher than in the corresponding period of 1994.

The growth is being led by the truck sector and contrasts sharply with the market for new cars, where rapidly declining sales to private motorists led earlier this week to industry calls for government grants to encourage the scrapping of old cars.

The society's statistics show a 15.3 per cent rise in new commercial vehicle registrations last month to 20,288 from 17,598 in May last year. This brought total registrations for the first five months of this year to 110,796, a 19 per cent rise on the same period of 1994.

Registrations of trucks over 3.5 tons were 21.7 per cent higher, year-on-year, in May at 4,170, bringing the year-to-date total to 22,339 – a 38.7 per cent rise. Executives in the Iveco Ford and Leyland Daf truck groups, now vying neck-and-neck for the UK truck market leadership, say they believe this year's total truck market is now certain comfortably to pass the 51,000 mark compared with 44,700 last year and only 31,400 in 1992 – the lowest figure since the 1960s.

Light vans, those derived mainly from cars, benefited least from the recovery last month, rising by 9.1 per cent to 5,781. The market for panel vans, typified by the Ford Transit, was more buoyant; registrations rising year-on-year by 18 per cent in May, to 9,013. However, imports continued to take a growing share of all sectors in the commercial vehicle market. They accounted for 43.4 per cent of the total in May, up from 41.8 per cent in the same month last year.

**Best-selling cars so far this year**

| Type | Total sold |
|---|---|
| Ford Escort | 60,781 |
| Ford Mondeo | 54,084 |
| Ford Fiesta | 53,185 |
| GM Astra | 41,900 |
| GM Cavalier | 38,516 |
| GM Corsa | 30,517 |
| Rover 200 | 30,168 |
| Peugeot 306 | 25,831 |
| Renault Clio | 22,478 |
| Peugeot 105 | 18,453 |

**Imports boost share of car market**

| Registrations of new cars | May 1995 Volume | May 1995 Change% | May 1995 Share% | May '94 Share% |
|---|---|---|---|---|
| Total market | 152,658 | +4.7 | 100.0 | 100.0 |
| UK produced | 63,714 | -9.1 | 41.7 | 46.7 |
| Imports | 88,944 | +11.2 | 58.3 | 53.3 |
| Fleet | 79,562 | +10.0 | 52.0 | 48.8 |
| Private | 63,787 | -7.7 | 42.0 | 48.0 |
| Japanese makes | 17,852 | +8.9 | 11.7 | 11.0 |
| Ford group | 36,386 | +1.6 | 23.8 | 23.9 |
| – Ford | 35,605 | +0.7 | 23.3 | 23.6 |
| – Jaguar | 781 | +57.6 | 0.5 | 0.3 |
| General Motors | 24,990 | -1.7 | 16.4 | 18.8 |
| – Vauxhall | 24,183 | -2.5 | 15.8 | 18.5 |
| – Saab* | 807 | +27.5 | 0.5 | 0.4 |
| BMW group | 21,797 | -8.5 | 14.2 | 15.5 |
| – BMW | 4,229 | +67.1 | 2.8 | 1.9 |
| – Rover** | 17,568 | -14.4 | 11.5 | 13.7 |
| Peugeot group | 15,380 | -8.6 | 10.0 | 11.2 |
| – Peugeot | 10,900 | -11.4 | 7.1 | 8.2 |
| – Citroen | 4,480 | -1.0 | 2.9 | 3.0 |
| Renault | 9,353 | +3.4 | 6.1 | 6.0 |
| Volkswagen group | 10,094 | +9.6 | 6.6 | 6.1 |
| – Volkswagen | 6,038 | +14.2 | 3.9 | 3.5 |
| – Audi | 2,058 | +49.3 | 1.4 | 1.2 |
| – SEAT | 1,180 | +10.4 | 0.8 | 0.7 |
| – Skoda† | 748 | -30.0 | 0.5 | 0.7 |
| Nissan | 6,295 | +0.3 | 4.1 | 4.2 |
| Fiat group | 5,989 | +26.4 | 3.9 | 3.2 |
| – Fiat | 5,808 | +25.9 | 3.8 | 3.1 |
| – Alfa Romeo | 181 | +44.8 | 0.1 | 0.1 |
| Toyota | 4,240 | +18.6 | 2.8 | 2.5 |
| Volvo | 3,057 | +3.5 | 2.0 | 2.0 |
| Mercedes-Benz | 2,644 | +11.4 | 1.7 | 1.6 |
| Honda | 3,344 | +7.1 | 2.2 | 2.1 |

*GM holds 50% of Saab Automobile and has management control. **Includes Range Rover Discovery. †VW holds 31% of Skoda and has management control. Source: Society of Motor Manufacturers and Traders

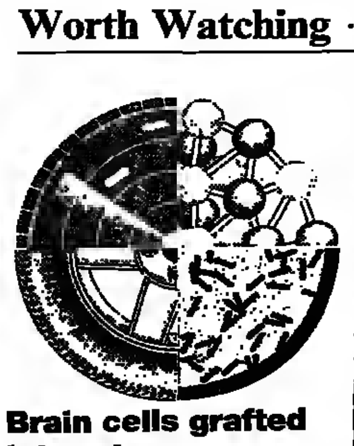
**Scania scores biggest rise in truck sales**

| Commercial vehicle registrations Jan-May '95 | Volume (Units) | Volume change(%) | Share (%) J-M 95 | Share (%) J-M 94 |
|---|---|---|---|---|
| Total Market* | 110,796 | +19.0 | 100.0 | 100.0 |
| Imports | 49,497 | +24.1 | 44.7 | 42.9 |
| Small vans (up to 1.8 tonnes) | | | | |
| Total | 31,436 | +4.1 | 100.0 | 100.0 |
| Imports | 13,442 | +14.0 | 42.8 | 39.1 |
| Medium vans & pick-ups (1.81-3.5 tonnes) | | | | |
| Total | 48,922 | +23.2 | 100.0 | 100.0 |
| Imports | 19,487 | +27.3 | 39.8 | 38.6 |
| Trucks (over 3.5 tonnes) | | | | |
| Total | 22,339 | +38.7 | 100.0 | 100.0 |
| Imports | 13,015 | +39.4 | 58.3 | 58.0 |
| Iveco group** (Fiat) | 4,685 | +23.8 | 21.0 | 23.5 |
| Leyland Daf (Daf Trucks) | 4,659 | +70.5 | 20.9 | 17.0 |
| Mercedes-Benz (Daimler-Benz) | 3,760 | +25.7 | 16.8 | 18.6 |
| Volvo | 2,595 | +30.3 | 11.6 | 12.4 |
| Scania (Investor) | 2,487 | +85.3 | 11.0 | 8.3 |
| ERF | 1,365 | +145.7 | 6.1 | 5.8 |
| MAN | 1,127 | +5.1 | 5.0 | 6.7 |
| Renault | 787 | +19.8 | 3.5 | 4.1 |
| Of which Heavy Trucks (over 15 tonnes) | | | | |
| Total | 3,539 | +35.6 | 100.0 | 100.0 |
| Volvo | 418 | +20.5 | 11.8 | 13.3 |
| Leyland DAF (DAF Trucks) | 793 | +56.7 | 22.4 | 19.4 |
| Scania (Investor) | 474 | +49.0 | 13.4 | 12.2 |
| Iveco group** (Fiat) | 513 | +24.2 | 14.5 | 15.8 |
| Mercedes-Benz (Daimler-Benz) | 681 | +43.4 | 19.2 | 18.2 |
| ERF | 204 | +61.9 | 5.8 | 4.8 |
| MAN | 194 | -14.2 | 5.5 | 8.7 |
| Renault | 98 | +3.2 | 2.8 | 3.2 |

Names in brackets indicate ownership; *Includes buses and light four wheel drive utility vehicles; **Includes Iveco Ford and Seddon Atkinson. Source: Society of Motor Manufacturers and Traders and industry estimates.

# TECHNOLOGY

## Worth Watching · Vanessa Houlder



### Brain cells grafted into rats

Researchers in California have used genetically-engineered cells to repair some of the effects of hrain damage in rats, in work that could help in the understanding and treatment of Alzheimer's disease.

Scientists at the University of California, San Diego examined rats with lesions to the part of the hrain that supplies the neurotransmitter acetylcholine to the higher brain region known as the neocortex. When they grafted acetylcholine-producing cells into the neocortex, the rats' performance in behavioural tests improved significantly, according to a report in today's Nature.

The work, which suggests that acetylcholine can help learning deficits and restore memory in certain circumstances, may have implications for Alzheimer's disease, which is characterised hy the degeneration of the neurons that supply acetylcholine to the neocortex.

*University of California: US, tel 619 5347186; fax 619 534 5748*

### Reducing the dose of X-ray radiation

A particle detector that won its inventor the 1992 Nohel physics prize has been developed into X-ray equipmeot that exposes patients to 100 times less radiatioo than conventional machines.

The X-ray system is based on the proportional multiwire chamber, developed hy Georges Charpak, a Ukrainian scientist, which is ahle to detect individual photons. This counting mechanism is far more efficient than using film, which requires a greater nomber of photons to act on the emulsion.

The sensitivity of the detector, together with the use of a finely trained X-ray beam, allows radiologists to cut down the dose of radiation. The system provides digital data that can be used for reproduction, transmission or filing. It can be converted into a clear picture by coding the scan into 64,000 shades of grey.

The system, which has been developed hy Biospace Radiologie, a French company, is undergoing a nine-month clinical evaluation at Saint-Vincent-De-Paul, a Paris-based hospital.

*Saint-Vincent-De-Paul Hospital: France, tel 14048 8192*

### Putting the seal on leaks

John Crane international, a divisioo of TI Group, the engineering company, has developed the first mechanical seal for rotating equipment that completely eliminates any leakage of liquids.

The new seal is aimed at the chemicals industry, which needs to avoid prodnct contamination and rednce emissions of hazardous substances. The seal uses an inert gas instead of a liqnid film to separate the seal surfaces. This avoids the risk that a minute quantity of the liquid – usually the process fluid – will vaporise and be released into the atmosphere.

The gas seal, which eliminates friction and contact between the faces, pumps a minute amount of inert gas into the product providing a barrier against any escape of the prodnct flnid.

*John Crane: UK, tel (0)1753 531122; fax (0)1753 224224*

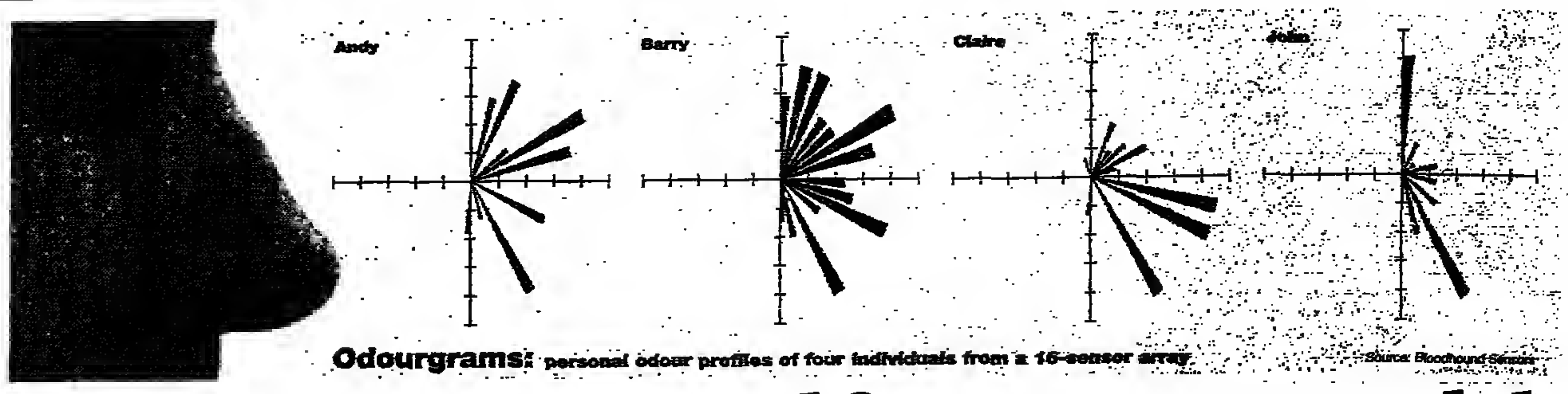
### Faster way to tackle blood clots

A Minneapolis-based company has devised what it believes to be a faster, less invasive and more cost-effective way of removing blood clots from arteries, than existing drug pharmaceotical or surgical methods.

The AnjioJet uses saline solution delivered through high-pressure water jets to clean hlood clots from vessel walls, hreak them into fragments and remove them from the hody. The techniqoe can be used in conjunction with angioplasty, a method for expanding narrow hlood vessels.

Possis Medical bas received conditional approval from the US Food and Drug Administration to start clinical trials.

*Possis Medical: US, tel 612550 1010, fax 612550 1020.*




**Odourgrams:** personal odour profiles of four individuals from a 16-sensor array. Source: Bloodhound Sensors

# A brave new olfactory world

## Applications for electronic noses range from healthcare to security, writes **Clive Cookson**

The human senses are all heing automated. Electronic eyes and ears have been available for several years, and some robots have a rudimentary sense of touch. Now the electronic nose is here.

Indeed, two rival noses have emerged within the past year from companies in the UK, the world leader in olfactory technology, and a third is due out next year. They share the same basic design as the human version – an array of sensors to detect molecules in the air, linked to an electronic brain that makes sense of their signals.

The electronic noses cannot yet match the sensitivity of buman smell, any more than computerised voice recognition can compete with our ears. But for industrial purposes they have other advantages which are drawing potential users from the food, drink and fragrance industries worldwide to the first two British manufacturers, AromaScan and Neotronics.

The third company, Bloodhound Sensors, expects to launch a nose next year. Its first application is rather different – a security device to distinguish between individuals hy means of their characteristic, genetically determined body odours – though Bloodhound too will compete in the wider food, drink and cosmetics market.

"Smell is such an important part of our life that it's incredible a better method hasn't been developed before to give ohjective measurements of odours," says Allan Syms, AromaScan's managing director.

The human sniffing panels traditionally employed to assess complex odours do not perform consistently over time; their noses may become tired or sensitised to particular smells, or they may be affected hy colds, allergies or spicy food.

The electronic versions, in contrast, give repeatable and "objective" results – digital records of the odour – which can be displayed graphically in various ways. "Odourgrams" of four Bloodhound employees are shown above.

And the electronic noses are suitable for long-term pollution monitoring, 24 hours a day, in hazardous environments. For example an AromaScan instrument will be installed on Russia's Mir space station later this year, as part of a co-operative mission with the European Space Agency, to sniff out pollutants that might harm the cosmonauts.

A far larger terrestrial application would he an intelligent smoke detector, which could distinguish between an accidental fire and smoke from a frying pan.

A mass market beckons. If the electronic noses can be made small and cheap enough – and the three companies believe they can – there will eventually be ooe inside every refrigerator to warn when something perishable is going off and inside every microwave oven to switch if off when the food is cooked. They will turn on bathroom extractor fans when a smell needs clearing... Potential uses are limited only hy the imagination.

But consumer applications lie several years in the future. The first generation of noses, which cost about £25,000 each, are being used mainly for quality control in the food and drink industry – checking raw materials, processing and final products. Early applications by AromaScan and Neotronics include:

- Classifying the freshness of fish and seafood;
- Detecting off-smells and taints such as "boar taint" in pork;
- Monitoring the freshness and ripeness of fruit;
- Identifying different types of coffee bean before blending;
- Assessing instant coffee aromas during processing;
- Ensuring the consistency of hranded beers in different hreweries;
- Anthenticaring hlended whisky.

Bloodhound's first product will be an access control device called Scentinel. When someone wants to enter a high-security area, Scentinel sniffs the back of his or her hand, obtains an odour profile and compares this with the profile in its memory. If the two match, the door will open.

"The device can detect and differentiate between genetically linked body odours which are undetectable to the human nose," says Ed Ruck-Keene, managing director of Bloodhound Sensors.

It is designed to ignore the smell of perfumes, soaps and cosmetics. Ruck-Keene believes Scentinel will be more reliable and convenient than other hiometric security devices based, for example, on voice recognition or hand-prints.

AromaScan is developing applications in a quite different area – healthcare. Doctors have long known how to diagnose a few conditions hy smell; for example the breath of someone in a diahetic coma has the aroma of acetone. But many diseases generate characteristic mixtures of volatile molecules, which could be used for diagnostic purposes with an electronic nose.

Trials at Withington Hospital in Manchester have shown that an AromaScan instrument can detect wound infections at a very early stage and distinguish between different bacterial infections.

And George Dodd, whose olfactory research over 20 years at Warwick University laid the foundations for the UK's expertise in electronic noses, moved last summer to the Highlands Psychiatric Research Group in Inverness. He is working there on an "intelligent hreathalyser" for early diagnosis of diseases ranging from lung cancer to schizophrenia.

The technology is expected to advance rapidly, as the three UK companies continue research with their university partners: AromaScan with the University of Manchester Institute of Science and Technology, Neotronics with Warwick University and Bloodhound with Leeds University. They are discussing possihle licensing deals and joint ventures with international electronics and instrumentation companies, which would hring in more development funds.

The number and sensitivity of artificial sensors in the electronic nose will increase, and the whole thing will shrink in size. It may even be possible to supplement the polymer sensors with cloned versions of the human odour receptors.

Scientists have long known that deep friendships and romantic alliances depend on "olfactory bonding". By the middle of the next century, people may want to confirm instincts by taking miniature electronic noses to parties, to assess the compatibility of potential partners.

# Simple simulation of 50m cells

The human nose has abont 50m receptor cells of 30 different families – all sensitive to a wide range of odonr molecules of varying size and shape. Their signals go first to the "olfactory bulb" for preliminary processing and then to the hrain's cerebral hemispheres, which interpret the patterns as particular smells.

Electronic noses are simple simulations of the natural system. Instead of protein receptors, their sensors are condocting polymers – chemicals such as polypyrrole whose electrical resistance changes temporarily when they absorb volatile molecules from the air.

The electronic nose contains an array of sensors – 12 in the Neotronics instrument and 32 in AromaScan's. These vary in chemical composition so that each sensor is sensitive to a different range of molecules.

If the instrument is sniffing a series of samples, each test will typically take a couple of minutes. Then the nose is left to recover for five minutes before sniffing the next one.

Signals from the array are processed first in the electronic equivalent of an olfactory bulb – prodncing an immediate graphical display of the electrical output of each sensor. Then an artificial neural network can imitate the brain to provide pattern recognition or a descriptive evaluation of the aroma.

Cinema/**Nigel Andrews**

# Surreal look at human relations

Turning plays into movies involvea something like keyhole surgery. The film-maker stands over the patient and "blindly" inserts his probes, hoping to find the vital organs. Sometimes he does, sometimes he doesn't. As often as not the patient wakes up screaming, stuck fast with instruments like a porcupine in crisis.

This seems the syndrome in the first minutes of Fred Schepisi's *Six Degrees Of Separation*. In John Guare's prize-winning original play a group of high society New Yorkers have their lives changed by an eccentric intruder. A young black claiming to be Sidney Poitier's son cons his way into their homes, holds forth on everything from J.D. Salinger to the meaning of life, cooks them dinner, is offered a bed for the night, then reveals – hut no, you may not have seen the work, why spoil it.

Schepisi's film does the same thing, only in reverse. It starts off with rank inauthenticity: much stagy dialogue and clumpy entrance/exit work from Stockard Channing and Donald Sutherland as they comb their pad the "morning after", seeking clues to the interloper. Then it bursts through into the real filmic thing.

We flash-forward to parties and dinners where the couple tell their story over, only to find the same thing has happened to all their friends. Then we flash back. Then sideways. Then we curvette and slalom through Guare's text, finding not only its beating heart hut its thumping brain and wit too.

Schepisi has shown a zany-surreal touch before, but it has been more reticent (*Roxanne*) or more whimsical (*IQ*). Here it is daring and inspired. Once the audience realises it will have no peace from changing perspectives, the gymnastic visual fluency becomes bliss: a rhythmic equivalent to Guare's own prose and story-plotting.

Channing and Sutherland as the parody socialites inhabit a Tuscan-red retreat (Oscar, please, for designer Patrizia Von Brandenstein) complete with priceless paintings and *objets* and that one permanently dancing movie camera. When Will Smith's black enters the story, out-gabbing the gabbers and titillating them with his life story (plus the promise of a part in his dad's upcoming production of *Cats*), the pointing up of dazed reaction shots becomes a ballet in itself.

SIX DEGREES OF SEPARATION
**Fred Schepisi**

KILLER
**Mark Malone**

JACK AND SARAH
**Tim Sullivan**

THE BRADY BUNCH MOVIE
**Betty Thomas**

Soon the film is venturing all over New York without once making those crunching gear-sounds that say "We are opening this play out". Each new setting, from phone booth to police station, is pointed and stylised to give it a crazed formal relevance: like a block of colour in a Mondrian painting. And each fresh character sets new standards for funny and gullible vanity, from Richard Masur's paranoid psychiatrist to Channing and Sutherland's son who huilds an entire, virtuosic anger aria from the single line "You gave him my pink shirt!".

Guare's play was a mock-Einsteinian riff on the space-time curve of human inter-relatedness. The further we think we are from each other as a world family, the closer we may really be. The film suggests, by enriching Guare's text with the seismic balletics of the movie camera, that *terra firma* – social, intellectual, genealogical – is for every human life an illusion waiting to be dashed or broken.

★

America is obsessed with violence or intrusion as a catalyst to human revelation. For Guare and Schepisi it is the stuff of black comedy. For debut director Mark Malone in *Killer*, it is the cue for a pop-existentialist *film noir*. Shot in swathes of darkness – on no account wait for the video – this is a virtual two-hander hetween hired hit-man Anthony LaPaglia and willing victim Mimi Rogers. If she does not die tonight – and she is ready, courtesy of an incurahle disease – she will spill the beans to the D.A. (What beans? Don't ask. We are never fully told.)

But what will happen if the parties fall for each other? Will two impoverished lives find redemption and meaning?

The M-word is big in this film. "What is the meaning of meaning?" muses LaPaglia in the bathtub. And there are shovelfuls of intended significance, not always lucid, in the captioned chapter-headings preceding new sequences: "Are you gonna break my heart?", "I have to push the rock up the hill", "Magnesium".

Confused? Go with the flow of the performances. These infuse humanity into hot air. LaPaglia gives his emotion-starved mobster the right brittle, relnctant vulnerability. And Rogers is amazing. Her sardonic, raked-over heauty more and more resembles Barbara Stanwyck. Even *Killer*'s insane climax – would a dockside "hit" really take place under a hlazing light in an open-doored warehouse in full view of at least one giant freighter? – seems a little more plausibla thanks to her radiant, scary conviction.

Parodying socialites: Donald Sutherland, Stockard Channing and Will Smith in 'Six Degrees of Separation'

*Jack And Sarah*, written and directed by a British first-timer, Tim Sullivan, is not so much a movie, more an accident in the delivery room. For 20 minutes we live in honest hope, pacing up and down with a cigarette. Richard E. Grant, who has lost a wife hut gained a baby daughter in a maternity tragedy, goes through the touching stations of grief: the lipstick stain on last night's wine glass, the wife's voice still purling from answering machine. We believe in this crisis enough to beieve that a good human comedy can be born from it.

Then odd things happen. Sir Ian McKellen emerges from a skip to becomes Grant's live-in butler. A charmless American girl (Samantha Mathis) takes centre screen as replacement love interest. Scenes fizz and theo fizzle. And London W.11 fills up with actresses of a certain age – Judi Dench, Eileen Atkins, Cherie Lunghi – stealing the hest lines from an increasingly desperate Grant. This actor's eyes have not looked so stricken and spectral since *Withnail And I*.

Structurally chaotic and humoristically hit-and-miss, the film is an all too typical modern British comedy. Too little time was spent, we suspect, both in development and in editing. Perhaps that freshly-promised lottery lolly will help to focus UK minds and resources.

America's *The Brady Bunch Movie* is modest but perfectly formed. Take a squeaky-clean late 1960s sitcom. Re-animate its antidiluvian family, complete with flared trousers and Donny Osmond teeth. Then set them down in modern Los Angeles, where the serenity of their studio backyard – astroturf and Klieg lighting – is threatened every time they step into real, noisy, smog-ridden locations.

Somehow a one-joke film is funny almost for 90 minutes. Shelley Long and Gary Cole dispense the smiles and tongue-twisting parental homilies. Their six children are played with hilarious wholesomeness by actors who must have spent 25 years in a time-capsule. And the subplots – evil developer wants to buy their home, oldest daughter has lesbian schoolfriend, middle daughter has bouts of Exorcist-style schizophrenia – are mischievous enough to subvert while keeping a straight face.

★

The week's two "Enter at your peril" films are *Man Of The House* (U, James Orr) and *Tales From The Crypt Presents Demon Knight* (18, Ernest Dickerson). The first stars Chevy Chase and Farrah Fawcett in a family-values comedy that resembles the Brady Bunch saga before the jokes were inserted. The second is a Gothic yarn that mnst have exhausted itself with its title. Derived from a TV series, the perfunctory shocker gives us Satanic demons, homicidal cats, magic keys containing Christ's blood, and at least six degrees of separation concerning body-parts and their violently dispossessed owners.

Theatre

# The Broken Heart

Seen last year at the RSC's Swan Theatre in Stratford, John Ford's *The Broken Heart* comes to the Barbican trailing gore and glory. Not that it is a play about war – on the contrary, its concerns are marital and familial; but its emotions are as grim and destructive as anywhere in Racine.

Ford's only balf-familiar play is *'Tis Pity She's a Whore*; the National Theatre botched it a few years ago, with a puppy actor as the incestuously driven brother. With Iain Glen as the hero of *The Broken Heart*, Michael Boyd's production gives us the real Ford. It looks simple; the serious work has all gone into the characters and the elaborate, darkly ironical verse which bas to establish them and make the play.

More like Racine than Shakespeare, *The Broken Heart* begins with a disastrous situation already fixed, and what we are to see are the workings-out. Ithocles, the young Spartan Prince, has already married off his sister to Lord Bassanes, though she and Orgilus (Glen) had made a love match; Orgilus is already steaming with fury and despair, and needs only the springs of other people's romantic attachments to wind them up and hring them all down. The blood is saved np for the last act, when suddenly there is a lot of it (that horridly cunning Jacobean mechanism figures prominently).

Glen has matured fast, and is superh with Orgilus's nnstannchable hitterness. Fully equal to the verse, which demands searching intelligence, he is vocally a model of eloqnent variety – passion, sarcasm, obseqniousness and cold murderous glee.

His lost Penthea is Emma Fielding, whose fine, ruined energy is so impressive that one hesitates to mention the one thing she loses: she puts her all into every moment, whereas in the later stages of the play a part of her ought to be somewhere else, remote and unreachable. We could believe bloody revenge from her, hut not quita wilful self-starvation.

Among the other players, all boasting as much vivid expertise, Robert Bowman's Ithocles grows saintly in his eventual martyrdom, and William Houston is sturdily touching as his lieutenant. Philip Voss's madly jealous Bassanes has an interesting campy edge, and the other principal women, Elaine Pike and Olivia Williams, play up beautifully. There is a good, unscrupulous Scottish chaperone from Doreen Hephurn, almost the only rude, down-to-earth character here among the extravagant plotting and the agonised laments.

Melancholy, period-coloured music by Craig Armstrong sets the grievous tone with perfect tact. In timing and blocking, Boyd finds a lucid shape for the play (no mean task). We discover that *The Broken Heart* is actually a minor national treasure; an opportunity to find that out is so rare that this one should not be missed.

**David Murray**

Barbican Pit nntil July 29.

Theatre/**Sophie Constanti**

# Freak show and film show

Robert Pacitti's *Geek* – the opening show in this year's Barclays New Stages festival at the Royal Court Theatre – greets its audience with a bewildering double offer: free popcorn and the chance too see a two headed baby. *Although* Pacitti is considerate enough to leava the deformed foetus to your imagination, there is no shortage of hard-core bizarrery in this 70 minute exposition of the repressive, hypocritical and degenerate state that is 1990s Britain, as seen from a gay and lesbian perspective.

The front curtain of an army surplus tent rises on a naked woman (Marisa Carr) who, to a crackly recording of *God Save The Queen* extracts a short string of Union flag bunting from inside herself. Minutes later, Pacitti spreads an unappetising picnic of sliced bread and raw eggs on a Union flag, and then proceeds to binge and vomit repeatedly. His next task is to unravel a few metres of hunting from the rectum of a male colleagua (Chris Green).

Pacitti's rather unconventional deployment of the same emblems of national unity led to the banning of *Geek* in Nottingham last week. The controversy has, to a large extent, both trivialised the work and diverted attention from its flaws. But while the hunting antics posit questions which relate to the show's wider aspect – is it an expression of a new radical patriotism? A comment on pornography? An act of cynical exhibitionism? Or just a full-on assertion of queer culture? – the interludes of dancing register as poorly executed, simplistic routines which serve no real purpose.

Described as a freak show in three verses, *Geek* presents its quartet as freaks of hoth nature and nurture. Ironically – for the show is also part of the current Pride Arts Festival – the performers find little to celebrate in their self-professed sexual dissidence, opting instead for the shabby, destructive hopelessness of victim art. Censorship, persecution, the criminal justice bill, the age of consent, Aids: none of these inappropriate subjects for theatre. But to watch Pacitti and Green lowering their Y-fronts; to listen to the tacky, well-worn dominatrix monologue issued hy Carr; and to witness Helen Paris (a riveting performer) dragging out the work's final tar and feather sequence until it has lost all poignancy, is to collnde in that negation of personal dignity which is the freak show's most appalling characteristic.

Annie Griffin's new show *It Is For My Mouth Forever* treads its own freaky path. But there is a firm discipline and generosity of spirit here which seems lacking in the self-referential, self-pitying – albeit brave – agenda of *Geek*. *My Mouth*... is, essentially, a film show to which voice overs hy Griffin, piano accompaniment by Nicolas Bloomfield and foley work (i.e., the reproduction of buman and environmental sound) hy Jack Stew, are added live on stage. Joanna Scanlan plays a glamorous diva who recites lines from Walt Whitman's *Song Of Myself*, wallowing in their resonance while in semi-denial of the reality that her career is on the skids. Having demonstrated her telepathic gift for choosing winning numbers on the lottery, she shacks up with a bearded, monosyllabic security guard, and, in a perverse variation on immaculate conception, becomes mother to a family of gerbils (or are they hamsters?) which she later abandons.

The charming absurdity of Griffin's script *is* finely observed by all five actors. But if Scanlan is the indisputable star on celluloid in this production, foley artist Jack Stew is the leading man on stage. The precision-cnt action of his sound-making techniques not only animates Griffin's cinematic gum show but creates a pantomime which runs parallel too and is frequently as amusing as that on the screen.

The Barclays New Stages season runs until June 17, (0171 730 1745).

# Sheer spirit of Ireland

**Alastair Macaulay** reviews 'Riverdance'

The Irish spectacular *Riverdance* – borne on Eurovision success – is one of the few big dance-based hits of our time. Its core is traditiooal Irish dancing. The feet pound percussively on the floor, or criss-scross in flickering jumps; the legs turn out and in from the hip, or sweep forwards in suddenly straight lines. Meanwhile, the torso stays still, and the arms held motionless hy the sides. This physical dichotomy of Irish dance is hizarre; and, certainly in *Riverdance*, thrilling. One part of you is keeping up an aloof façade – while, beneath, another part of you is forever hammering.

The show has, it appears, two goals. One, to show that Irish dance and music can be major spectacles for modern audiences. Two, to show that they can blend with certain other folk forms (flamenco, Russian, tap). Though it goes too far in both these directions, it succeeds triumphantly. *Riverdance* makes Irish dance and music succeed in a big theatre hy amplifying them, and hy making the most, on the one hand, of their mass impact (20 or more dancers all tapping together) and, on the other, of their solo virtuosity (Michael Flatley and Jean Butler).

The effect of the music – including uilleann pipes, fiddle, bodhrán, spoons, bones, and plenty of singing – is reduced by big-scale amplification. But it is a sign of the evening's seriousness that among its heroes are Eileen Ivers on the fiddle, Davy Spillane on the uillean pipes, and Nikola Parov on various Balkan instruments. In their playing time and place fade away, and we are given sheer spirit.

Flatley himself, the show's star and chief choreographer, is actually its least intoxicating component. He has speed, energy, and a certain Puckish charm; but his dancing, with more flash than gut, starts to resemble his carefully bleached hair. Jean Butler, a most striking presence with her long neck and flowing red hair, is much more winning, though she too errs into sub-Spanish deportment here or there. Most of the time she draws your eye straight to the central paradox of Irish dance: the upper body so elegantly contained, the lower body so irresistibly ebullient.

It is the ensembles that most catch the excitement of Irish dance. To see 30 or more people completely synchronised in banging the floor beneath them to a pulp is intoxicating. The dances in hard shoes are wonderful, but better are the dances for the girls in soft shoes. The speed of those luscious feet is astonishing. Here and there, *Riverdance* is too Lloyd-Webberish. But often – as in the finale, when Spanish and Russian and black American dancers all join the Irish in the same unison footwork – it has a hlithe fervour that transcends all barriers.

Apollo Hammersmith until June 17.

INTERNATIONAL ARTS GUIDE

## ■ AMSTERDAM

**CONCERTS**
**Het Concertgebouw** Tel: (020) 671 8345
● Royal Concertgebouw Orchestra: with the Netherlands Radio Choir. Mariss Jansons conducts Schoenberg and Shostakovich; 8.15pm; Jun 9
**GALLERIES**
**Gemeentearchief Amsterdam** Tel: (020) 572 0202
● Mahler in Amsterdam: exhibition on the life and works of Mahler with an assortment of manuscripts, letters, scores and films; to Jun 11
**OPERA/BALLET**
**Het Muziektheater** Tel: (020) 551 8922
● Die Meistersinger von Nürnberg: by Wagner. Hartmut Haenchen conducts the Netherlands Philharmonic Orchestra and soloists Jan Hendrik Rootering and Siegfried Vogel; 5.30pm; Jun 10, 13

## ■ BERLIN

**CONCERTS**
**Deutsche Oper** Tel: (030) 34384-01
● Orchestra of the Deutsche Oper Berlin: Jiří Belohlávek conducts Shostakovich and Brahms; 8pm; Jun 8
**Konzerthaus** Tel: (020) 309 21 02/ 21 03
● Berlin Symphony Orchestra: with pianist François-René Duchable. Michael Schoenwandt conducts Franck, Bürger, Debussy and Bizet; 8pm; Jun 9
● Orchestra of the Deutsche Oper Berlin: with pianist Bruno Leonardo Gelber. Jiri Belohlavek conducts Shostakovich's "Symphony No.1" and Brahms' "Concert for Piano and Orchestra No.2"; 8pm; Jun 8
**OPERA/BALLET**
**Deutsche Oper** Tel: (030) 34384-01
● Der Rosenkavalier: by Strauss. Conductor Jiří Kout, production by Götz Friedrich; 7.30pm; Jun 13
● The Force of Destiny: by Verdi. A new production conducted by Rafael Frühbeck de Burgos and produced by Hans Neuenfels; 7pm; Jun 9
● The Masked Ball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sebastian Lang-Lessing, produced by Götz Friedrich; 7.30pm; Jun 12,
● Tristan und Isolde: by Wagner. Conducted by Jiří Kout and produced by Götz Friedrich; 5.30pm; Jun 11

## ■ COLOGNE

**CONCERTS**
**Kölner Philharmonie** Tel: (0221) 2801
● New York Philharmonic: Kurt Masur conducts Beethoven's "Symphony No.7" and Shostakovich's "Symphony No.5"; 8pm; Jun 10
● Radio Symphony Orchestra Cologne: with pianist Mark Zeltser conducts Mussorgsky, Rachmaninov and Shostakovich; 8.15pm; Jun 8

## ■ LONDON

**CONCERTS**
**Barbican** Tel: (0171) 638 8891
● London Symphony Orchestra: with violinist Gil Shaham. Andre Previn conducts Vaughan Williams, Prokofiev and Strauss; 7.30pm; Jun 8
● Royal Philharmonic Orchestra: with violinist Jonathan Carney. Yehudi Menuhin conducts Mozart, Takemitsu and Brahms and Sir Peter Maxwell Davies conducts the London premiere of his "Time and the Raven: United Nations Overture", written for the 50th anniversary celebrations of the United Nations; 7.30pm; Jun 14
**Royal Festival Hall** Tel: (0171) 928 8800
● Itzhak Perlman: violinist with the Philharmonia Orchestra. Lawrence Foster conducts Beethoven; 7.30pm; Jun 10
● Murray Perahia: pianist plays Scarlatti, Handel, Beethoven, Schumann and Chopin; 7.30pm; Jun 9
● Philharmonia Orchestra: with violinist Maxim Vengerov. John Eliot Gardiner conducts Elgar, Bruch and Mendelssohn; 7.30pm; Jun 8
**GALLERIES**
**National Portrait** Tel: (0171) 306 0055
● Richard Avedon: large scale photographic portraits and fashion photographs; to Jun 11
**Royal Festival Hall** Tel: (0171) 928 8800
● Art Unlimited: multiples from the 1960's and 1990'a including work by Damien Hirst and Jenny Holzer; to Jun 11
**OPERA/BALLET**
**Royal Opera House** Tel: (0171) 304 4000
● Billy Budd: by Britten. A new production conducted by Robert Spano and directed by Francesca Zambello. Soloists include Graham Clark, Francis Egerton, John Duykers and Rodney Gilfry/Peter Coleman-Wright; 7.30pm; Jun 9, 13
● La Bohéme: by Puccini. Conducted by Jan Latham-Koenig and directed by John Copley. Soloists include Cynthia Haymon, Nancy Gustafson and Roberta Algana/Tito Beltran; 7.30pm; Jun 8, 10 (7pm)
**THEATRE**
**Ambassadors** Tel: (0171) 836 6111
● The Killing of Sister George: by Frank Marcus. With Miriam Margolyes, Serena Evans and Josephine Tewson; 8pm.
**Donmar Warehouse** Tel: (0171) 369 1732
● Insignificance: written and directed by Terry Johnson. Cast includes Frances Barber, Alun Armstrong, Jack Klaff and Ian Hogg; 8pm; (not Sun)
**National, Cottesloe** Tel: (0171) 928 2252
● Richard II: by Shakespeare. Deborah Warner's new production featuring Fiona Shaw as the king; 7.15pm; Jun 12, 13, 14 (2pm)
**National, Olivier** Tel: (0171) 928 2252
● Under Milk Wood: by Dylan Thomas. Directed by Roger Michell and stars Robert Blythe; 7.15pm; Jun 12, 13 (2pm) . 14
● Women of Troy: by Euripides, translated by Kenneth McLeish and directed by Annie Castledine; 7.15pm; Jun 9, 10 (2pm)

## ■ LOS ANGELES

**GALLERIES**
**County Museum** Tel: (213) 857 6000
● Kandinsky: Compositions: six of the seven surviving "Composition" paintings are presented along with 25 preliminary studies which trace the artist'a evolution from figurative to abstract painting; to Sep 3

## ■ PARIS

**CONCERTS**
**Châtelet** Tel: (1) 40 28 28 40
● New York Philharmonic: Kurt Masur conducts Shostakovich and Beethoven; 8pm; Jun 9
**Champs Elysées** Tel: (1) 49 52 50 50
● National Orchestra of France: with soprano Monica Pick-Hieronimi, mezzo-soprano Nadja Michael, tenor Thomas Dewald and bass Michael Volle. Charles Dutoit conducts Beethoven'a "Symphony No.1" and "Symphony No.9"; 8pm; Jun 14
**OPERA/BALLET**
**Champs Elysées** Tel: (1) 49 52 50 50
● Ezio: by Handel. Conducted by Robert King, directed by Stephen Medcalf and with the King's Consort. Soloists include James Bowman, Susan Gritton and Dominique Visse; 7.30pm; Jun 9, 10
**Opéra National de Paris, Bastille** Tel: (1) 47 42 57 50
● Les Capulet et les Montaigu: by Bellini. Conducted by Bruno Campanella and produced by Robert Carsen. Soloists include Jeffrey Wells, Cecilia Gasdia and Jennifer Larmore; 7.30pm; Jun 9, 12

## ■ VIENNA

**CONCERTS**
**Wiener Kammeroper** Tel: (1) 512 0100
● Viennese Philharmonic Orchestra: with soprano Deborah Voigt and baritone Bryn Terfel. Giuseppe Sinopoli conducts Schoenberg and Zemlinsky; 7.30pm; Jun 9
**Wiener Konzerthaus** Tel: (1) 712 1211
● South Western Radio Orchestra: with soprano Julie Moffat. Ingo Metzmacher conducts Webern and Mahler; 7.30pm; Jun 12
● Viennese Symphony Orchestra: with soprano Christiane Oelze. Michael Gielen conducts Mahler and Webern; 7.30pm; Jun 8
● Viennese Symphony Orchestra: with pianist Radu Lupu. Kurt Sanderling conducts Beethoven and Shostakovich; 7.30pm; Jun 10

## ■ WASHINGTON

**THEATRE**
**Kennedy Center** Tel: (202) 467 4600
● Angels In America: Perestroika. Part Two of the Tony Kushner award-winning play about politics, sex and religion. Stars Jonathan Hadary; 7.30pm; from Jun 9 to Jul 9
● Angels in America: Part One, The Millenium Approaches. Tony Kushner'a award-winning play about sex, politics and religion; 7.30pm; to Jun 8

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*Financial Times Business Tonight*

# A cultural view of corporate life

BOOK REVIEW

**COMPANY MAN: THE RISE AND FALL OF CORPORATE LIFE**
**By Anthony Sampson**
*Harper Collins, £20. 354 pages.*

Bristow, the hero of Frank Dickens' office cartoon strip in the London Evening Standard, is perennially at work on his magnum opus: *Living Death in the Chester-Perry Buying Department.*

The joke, of course, is that Bristow's day is so dull he spends most of it asleep, or reminiscing over doubtful dramas such as "the great tea trolley disaster". While we wait for Bristow's gripping tome to be published, Anthony Sampson, best known for his *Anatomy of Britain*, has stepped into the breach with a survey of corporate culture.

Sampson has in the past done a highly readable job on chronicling individual industries such as the oil business and the arms trade, but in this book, he has set himself a much more difficult task.

Birth and death tend to be the most interesting stages of a company's life. When a business is founded, the fledgling entrepreneur struggles to establish himself, either by dint of inspiration and hard work or, sometimes, by the ruthless crushing of the competition.

The demise of a great company, whether by mismanagement, fraud or takeover, can also be a fascinating tale, as shown by books such as *Barbarians at the Gate*, the bestseller about Kohlberg Kravis Roberts's $25bn bid for RJR-Nabisco. But in normal times, when a company is established and institutionalised, its story often becomes mundane.

Sampson dutifully charts the history of the corporation from the development of the vital principle of limited liability in the 19th century and the emergence of the US robber barons. The popular image of "company man" was developed as ownership became divorced from management in the 20th century and the monolithic multinationals emerged, with their vast head offices and complex layers of management.

The golden age of "company man" was probably in the 1950s and 1960s, when the international executive jetted around the world, moving steadily up a carefully calibrated corporate hierarchy, en route to the company car, the country club membership and the key to the executive washroom. Conformity was the safest route to success, whether by wearing the blue suit at IBM or, at Shell, by willingly uprooting the family to work in a foreign land.

But these structures stifled creativity and flexibility. Sampson makes the plausible observation that the second world war "brought the corporations closer to military systems and planning with their own systems of command and control. And as they became involved in the cold war against the communist bloc, their structures showed more resemblance to the bureaucracies and apparatchiks with which they were competing."

This lack of flexibility eventually brought disaster when US and European companies were subject to competition from the Japanese. Indeed, it is perhaps significant that the heyday of the monolithic corporate structure was from the 1920s to the 1970s, when European and US business was cosseted by cartels, protective tariffs and the division of the world into capitalist and communist blocs.

On top of the Japanese challenge came the company raiders, with their attacks on the "corporate welfare state" of private jets and expense accounts, and the threat of competitors from the emerging markets of south-east Asia. Furthermore, the increased use of information technology has made it easier for small companies to compete with the multinationals and has allowed corporations to "contract out" much of their administrative needs.

Meanwhile in the US, a younger breed of manager, conditioned by the non-conformist attitudes of the 1960s, has developed a different company model, where dress is casual, hierarchies less formal and bureaucracy almost non-existent. Microsoft has risen while IBM has declined.

Corporations have been forced to react to the competition by slashing payrolls and "de-layering" management, rather as manufacturing companies cut their workforces in the early 1960s. The middle classes have suddenly been faced with the insecurity which has often been the lot of the working classes. According to Sampson, "the traditional company man, with his confidence in annual increments and a growing pension is as extinct as an 18th-century clergyman".

The most popular image of the future is of the manager as "consultant", hired for his or her labour from contract to contract, often working from home via computer or modem. Such work may be more intellectually rewarding, but will be far less secure.

The problem with this picture is that it is a stereotype, like much of the above potted history of corporate life. In practice, multinationals will still employ plenty of career managers and the future is more likely to consist of a variety of models, from the blue-suited vice-president to the pony-tailed tele-cottagers.

No doubt Sampson's book will be bought by the kind of executives who lap up the self-improvement tomes which dominate business best sellers lists. But *Company Man* seems aimed at the general reader, valiantly trying to maintain interest by focusing on the cultural history of corporate life, even to the extent of summarising the plot of the Dolly Parton movie *Nine to Five*.

Sampson neither reaches any ringing conclusions about the future of the company, nor does he use his book, like Will Hutton's *The State We're In*, as a polemic against the existing system. If only Bristow can finish *Living Death* ... he may still find a gap in the market.

**Philip Coggan**

## ECONOMIC VIEWPOINT

# A false dusk falls over the world

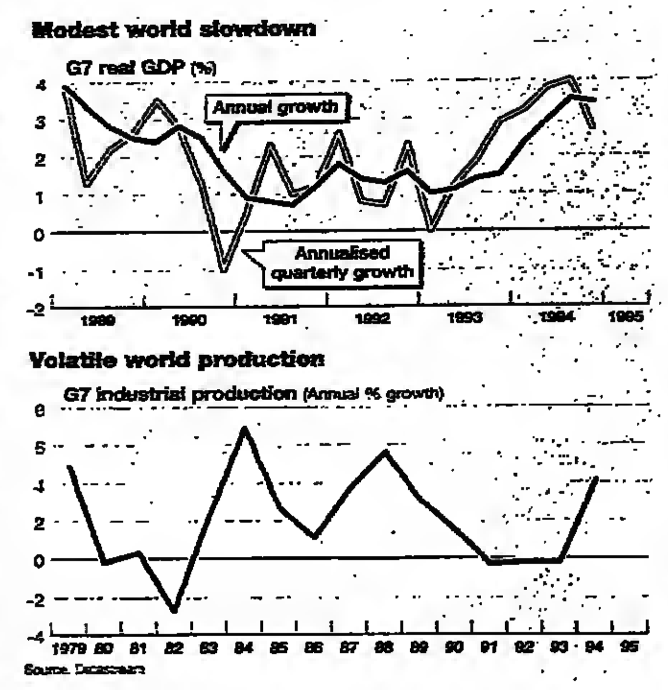
**By Samuel Brittan**

There has been a modest slowdown in the pace of world economic recovery. The real GDP of the G7 industrial countries, which had been growing by nearly 4 per cent per annum in the middle of last year, slowed to 2.7 per cent by the end of the year. This was also a rate achieved by the US and the UK in the first quarter of this year.

Other countries, which do not take their temperatures so promptly, do not yet have 1995 GDP estimates. But there is some suggestion of a slowing down in industrial production in Germany. It has not however been widely realised that in Japan industrial production has, despite the high yen, been rising by annualised rates averaging 6 per cent since the beginning of 1994. This has yet to be confirmed by GDP estimates and we do not yet know if it is a flicker or the beginning of a full recovery.

Is the rest of the world seeing the beginning of a new recession or at least a period of stagnant below-trend growth? Or is it simply a slight hesitation in an upward movement which cannot be completely regular from one period to the next? The key background fact is that recent business cycles have been getting longer. The last one, measuring from peak to peak, lasted 11 years, ending in 1989-90. We are only five years from the peak of that cycle and the probability is that we are seeing a temporary hesitation. Indeed some growth slowdown was necessary in the US and the UK to prevent a recurrence of rising inflation; and the world could simply be facing the small humps inevitable even in the smoothest of soft landings.

We have been here before. Talk of a growth pause, or even renewed recession, has uncanny resemblance to similar talk in 1986. The then chancellor, Nigel Lawson, recounts in his memoirs, *The View from No.11*, how the alarm bells started ringing when there was an apparent steep decline in the UK growth rate in the first quarter of that year, supported by a sharp decline in the so-called longer leading indicators. "It was only some years later, when the figures had been revised several times, that it emerged that the bulk of the reported decline in the rate of growth was simply a statistical error." He now calls the period "a false dusk". But "in fact, while commentators were still arguing about whether we faced recession, slowdown or merely pause, the upturn was if anything becoming uncomfortably vigorous".




At a world level there was a minuscule dip in the combined growth rate of the G7 countries from 3.4 per cent in 1985 to 2.9 per cent in 1986. But, as the lower chart shows, industrial production, which is a highly volatile component of world GDP, did show a pronounced but temporary drop in its rate of increase. By the late 1980s this was over and international inflationary pressures had again emerged.

In 1986 the main blame for the pause was placed on the collapse in world oil prices. The official explanation was that the oil-producing countries cut their spending more quickly than the consumer countries, which had benefited from the trend, could raise their own consumption.

This time round the blame is being put on exchange rate instability. The appreciation of the D-Mark, the yen and associated currencies has been retarding Japanese recovery and slowing down that of Germany, while the devaluing countries have not yet fully benefited from the boost to their export competitiveness.

There is of course some ideology behind the argument about the state of the economy. The apparent textbook consensus on the limits of demand management is not accepted in their hearts by many economists, who itch to say things like "the economy is being starved of fuel for growth", or by financial market activists dying to see action.

For those who genuinely believe in the supposed economic consensus there would be a simple sign if world demand were inadequate and disinflation pushed too far. For we would then see a falling rate of inflation and eventually deflation – with prices actually falling. In fact in the G7 countries, the average inflation rate has been remarkably stable at between 2 per cent and $2\frac{1}{2}$ per cent since the end of 1993. The big exception is Japan where consumer prices are actually falling slightly.

In the British parochial argument there is confusion between personal views on the trend rate of output and the rate on which it is prudent to base policy. There have been so many errors of over-optimism in the past that it is surely sensible to plan public expenditure, tax changes, monetary policy and all the rest on the Treasury's statistically-based assumption that underlying growth is not much above 2 per cent per annum. Optimists like Patrick Minford believe it to be much higher; and I suspect they are right. But if so, and financial policies are too restrictive, inflation will resume its downward trend. The need is to combine pessimism about safety margins with optimism on long-run performance.

The meetings between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England, are singularly ill-timed as they take place before rather than after most of key data on the British economy become readily available. One can easily concede that since the chancellor's decision in May against a base rate increase the argument has gone his way and not the Bank's, especially in the downward revision of the first-quarter GDP. But to see it in these terms is to put too much emphasis on the rates of change and not enough on underlying price pressures about which the Bank can still legitimately be worried. On the real side there still remains the discrepancy between official data showing stagnant manufacturing production and industrial surveys showing bouyant order books, especially but not only on the export side.

Much of the tension on the issue would subside if it were realised that short-term interest rates are prices which, like other prices, need to move in both directions and in which errors in either direction can readily be corrected. Indeed if the Bank were independently accountable, it might well be a little less gung-ho, because it would be held to account for excessive anti-inflationary zeal, as well as for financial laxity. At the moment if the governor does not put the pessimistic case on inflation and the case for pre-emptive strikes, who else will?

On a broad view, UK performance has been almost ideal. Total spending measured by nominal GDP has been rising over the average of the past two quarters by an annualised rate of just under 5 per cent per annum. This leaves room for 2 per cent inflation and 3 per cent real growth – or the other way round. The reason for the "almost" before "ideal" has been the further drop in sterling, which has only been very partially reversed since the chancellor's May meeting with the governor.

At an international level, the qualification about exchange rates disappears; and it is indeed at this level that nominal demand can be best guided. The G7 countries themselves also achieved in 1994 a combined nominal GDP growth rate of nearly 5 per cent – which could safely be fractionally higher if Japan were performing normally. It is time to end the fashionable dogma that world financial co-operation is useless. But it needs to begin with a concertation of domestic monetary policies rather than *ad hoc* intervention in the foreign exchange markets.

Even at the international level, it would be desirable to utilise advance indicators of increasing inflationary or recessionary pressures. Such indicators are provided by world commodity prices, which have come off the boil, and by nominal long-term interest rates, which have also dropped internationally by well over 1 percentage point since finance ministers began to worry about them at the end of last year.

The reduction of long-term interest rates is not only a sign of reduced inflationary pressure, but will itself give a stimulus to activity. A further stimulus will be given if Germany and the countries that follow its lead reduce short-term rates to offset the overvaluation of the D-Mark. For, as JP Morgan's *World Financial Markets* puts it, "Bundesbank policy is contingent on currency movements." Only short-term operators have anything to gain from scaring the punters with flimsy recession scares.



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

## Fair framework for utilities offered by UK Labour party

*From Dr J.A. Cunningham MP.*

Sir, I recently outlined Labour's proposals for the utilities to introduce automatic rebates and price cuts when high profits are reported above a pre-agreed normal level. By allowing the utilities to retain a substantial proportion of high profits, however, these proposals at the same time recognised the crucial need to provide the right managerial incentives.

In two FT leaders ("Labour's utilities" May 17, and "Water woes," June 6) arguments have been put forward or statements made which are misleading.

One charge is that the calculation of a "normal" level of profit or rate of return would be an extra burden for the regulators. But this calculation is common to all forms of regulation, including the present RPI-X framework. An incoming Labour government would enforce best practice by the regulator in order to ensure that the normal rate of return is related to market levels.

Another criticism is that the proposed profit-sharing rule would weaken incentives toward efficiency. New Labour recognises that in a dynamic economy innovation and increased efficiency must be rewarded. By allowing the utility to keep a substantial proportion of profits above the normal threshold level, the drive to innovation and efficiency should not be reduced.

In the long run, in the absence of further gains in efficiency or innovation, prices would fall toward a level where the normal rate of return is earned. This is desirable in that considerable returns to innovation and increased efficiency could be earned while incentives to increased efficiency and innovation are not ultimately dulled by a cushion of high profit.

There would of course be a clear need to tighten up the rules concerning the measurement of profit for pricing purposes. This is analogous to defining profit for tax liability.

I should also like to dispel any fears that the proposed pricing rule would increase the cost of capital to the utilities. In fact, because of the tendency of the rate of return to converge in the long run on the normal level set by the regulator, shareholder uncertainty would be lower than under the present system. Indeed, shares in the utilities would begin to behave more like gilt-edged stocks under the new scheme.

Regulatory uncertainty would be further reduced by other Labour proposals designed to induce more objective and consistent behaviour on the part of the regulators. These include writing clearer and more objective rules for the regulators, not requiring them to take political decisions and requiring them to consult widely and publish justifications of their decisions.

Labour is determined to design a framework which reduces regulatory uncertainty, produces fairness towards consumers, provides fair incentives to managers, and delivers a fair rate of return to shareholders.

Labour has not developed these proposals in a vacuum. We are consulting widely with leading regulation experts, regulators and utility directors. We invite further dialogue.

Jack Cunningham,
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## Democracy triumphs over Tokyo's planned Expo

*From Mr Kumon Tokumaru.*

The new governor of Tokyo, Mr Yukio Aoshima, has decided to cancel the World City Expo ("Tokyo's governor calls off Expo", June 1). The economic significance of the cancellation was investigated by the FT but not the political one.

Mr Aoshima had been a senator for these past 25 years without any significant political achievements to his name until he became governor of Tokyo. He was criticised during his campaign for not having any big designs for his administration. But it was he, unsupported by any political parties, who defeated other professional and ambitious candidates such as Mr Nobuo Ishihara, a former vice-cabinet minister, Mr Tetsundo Iwakuni, former mayor of Izumo city and former executive vice-president of Merrill Lynch, Japan, and Mr Kenichi Omae, vice-president of McKinsey and leader of the Heiei-Ishin (reformist) party.

It is clear that the Tokyo voters selected Aoshima knowing that he would do nothing while mayor. The self-confident citizens sent out a clear signal – DO NOTHING. And consequently Aoshima was selected as their puppet. The term puppet could be a derogatory expression but paradoxically here it isn't; here is it not the genuine model of democracy? To date, political professionals, such as bureaucrats, politicians, journalists, intellectuals, etc, have never conceded power to the masses. In the end, the people have deprived them of their power by putting a puppet at the top. This could be described as the completion of mass democracy.

Japan is a homogenous society with no class system, no ethnic bloodshed and no religious conflicts. With its quasi-100 per cent literate population, the mass society in Japan has finally matured in the extreme and a new era of democracy has begun.

The cancellation of the Expo was the campaign promise of Aoshima. After the election, the Tokyo assembly voted in favour of the project. Then polls were conducted by citizens' groups around Tokyo which revealed that more than 90 per cent of passers-by were against the Expo. Thus the citizens now make the decision. Others should not be anxious about this new phase in democracy. Contemporary citizens of Japan are reliable, consistent and spontaneous – look at the efforts of many people after the Kobe earthquake.

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## Nothing rational about markets

*From Mr John Lock.*

Sir, Barry Riley writes that today's markets "are not being driven by long-term investors making rational and co-ordinated top-down asset allocation decisions" ("Recession spotters wait for the fog to clear", June 7). I thought that was the whole point of markets. They are irrational; they aren't top-down driven; and even where investors' decisions have a discernible logic, all investors' decisions do not and cannot add up to something logical.

If markets were rational, we wouldn't need economists, analysts, forecasters and, dare I say it, financial journalists. Come to think of it, human beings might be a bit superfluous as well!

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## Trapped for the long term because of UK government policies

*From Mr Simon Buckingham.*

Sir, Re your editorial, "No housing fix" (June 5), it is sad but true that UK householders need to blame the government for their own housing investment decisions. Individuals are trapped for the long term in their houses and in their organisations because of policies from the government, banks and hierarchies.

The dormant state of the housing market is not so much a good thing because it "ought to inspire the same long-termism in would-be home buyers that is considered desirable in business". In what would be a fast and flexible world without distorting policy making, the apparent problem of "short-termism" would be an irrelevant myth and not an evil perpetuated to justify more policies. What is short-termism anyway? These days, in the short term, we are all dead.

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# Mr Clarke and the Old Lady

When the UK'a chancellor of the exchequer and the governor of the Bank of England met a month ago, the majority of observers expected short-term interest rates to go up. When this did not happen, Kenneth Clarke was excoriated for making a bad move in his chess game with the Bank. Now he is being congratulated for putting Mr Eddie George's king in check. Three questions arise: whether the decision to leave short-term rates of interest at 6.75 per cent has been justified: whether the credibility of the chancellor has been raised vis à vis that of the governor; and, most important, whether the current policy regime has been vindicated.

Immediately after his penultimate monthly meeting with Mr George, on May 5, the chancellor argued, plausibly, that the decision was "finely balanced". The very next week the Bank of England's inflation report argued that inflation would be in tha upper half of the 1-4 per cent target range, under unchanged policies, two years hence. This forecast was taken to confirm that the governor had asked for higher interest rates at the meeting with the chancellor – and had been turned down.

On balance, the news since then has strengthened the case of those opposed to higher interest rates. The Central Statistical Office revised down its estimate of non-oil growth in the first quarter to an annual rate of 2.4 per cent. The volume of goods bought in the shops fell by 0.2 per cent in April, having been flat in recent months. Factory production fell in the first quarter of 1995. Mortgage lending by building societies was a third weaker in April than a year earlier. Unemployment recorded its smallest fall for nine months in April and the annual rate of average earnings growth was stable at 3.5 per cent in March.

## Long game

Inevitably, this has made the chancellor look less of a scheming politician and more of a far-seeing economic policy-maker. Markets seem to concur: since May 5, the trade-weighted exchange rate has risen 0.7 per cent; the exchange rate against the D-Mark has risen 2.3 per cent; the redemption yield of a 10-year gilt has fallen 60 basis points; and the gap between the yield on index-linked and conventional gilts – a measure of expected inflation – has fallen 40 basis points. But the chancellor has been lucky as much as wise, since the main driving force has been a stronger US dollar and a much stronger US bond market.

This is just a short episode in a very long game. The danger is that the UK has a chancellor who is merely temporarily lucky, but believes he is wise. It is far too early to conclude that this decision was correct, let alone that the UK has a satisfactory policy regime. Markets doubt it: UK expected inflation is more than 1½ percentage points above the top of the official target range; and the redemption yield of UK 10-year gilts is 160 basis points above that of the US and 120 basis points above that of Germany, despite much the same underlying inflation rate.

## Price of caution

Even if Mr Clarke turns out as wise, as prudent and as robust as he would like people to believe, a regime that depends so heavily on his judgment is less credible than it could be. The case for delegation of responsibility to the Bank of England for achieving a specific inflation target remains overwhelmingly strong. The government could still temporarily override, or permanently change, that target. But such decisions would have to be public. Equally, the governor should be told that failure to achieve the target would justify dismissal. With responsibility would go the accountability that is now lacking.

The fundamental question is whether an inflation target would be a satisfactory objective. If not, delegation would be far more difficult to justify. Those who argue against it, believe there is a trade off between inflation and real output. The price of caution about inflation must, they argue, be permanent excess capacity and slow growth.

Yet there is no reason to believe this. In New Zealand, for example, pursuit of a still tighter inflation target of 0-2 per cent allowed GDP to grow at a compound annual rate of 5 per cent a year in the three years to the last quarter of 1994. If excess capacity in the UK is indeed substantial, inflation will fall. This will encourage easing of monetary policy and renewed growth, while also strengthening the credibility of policy. The issue is not whether to allow economic growth. It is whether to assume there is excess capacity in setting policy, or wait until it has been revealed.

It is comforting that current policy settings look less risky than they did a month ago. But it is not at all comforting that this will strengthen the hands of those who want to retain a policy regime for whose failings the UK pays a price. The events of the last month are not another victory for good old British muddling through. Nor is this just a chess game between two men. It is the country's longer-term economic stability that is at stake.

# Europe defends Rushdie

A spate of recent reports from Tehran suggests that Iran may at last be close to lifting the death threat that has hung over the British author Salman Rushdia since February 1989.

Some Iranian leaders continue to insist that the *fatwa* or ruling of the late Ayatollah Khomeini, inciting Moslems to kill Mr Rushdie and his publishers, is "irrevocable". That may be true in tha sense that only its author could have revoked it, but such statements obfuscata an important point in Shia tradition. Tha essence of Shiism (not unlike Catholicism in this respect) is that tha uninstructed faithful need expert and divinely inspired guidance from a living authority. They may not take it upon themselves to act on the words of a dead one.

in religious terms there has thus been nothing to stop Khomeini's successors from issuing new guidance to the faithful, explaining that changed circumstances render his ruling no longer applicable, at any time since his death in June 1989. The problem is political, not religious: the successors have lacked the authority, or perhaps the desire, to do so.

## Grasping the nettle

Now they seem much nearer to grasping the nettle. Last February Iran's ambassador in Denmark, in order to defuse a row about the visit of a senior Iranian official to that country, signed a document saying that Iran had not sent and would not send anyone to kill Mr Rushdie. Mr Rushdie himself then went to France, where he has considerable public support, during the election campaign there. Presidential candidates found it politic to receive him, and Alain Juppé, then foreign minister, ended up persuading his EU colleagues to ask the Iranian president to sign an agreement, in essence confirming what the ambassador in Denmark had said. Mr Juppé has also insisted that France expects an answer during its EU presidency, i.e. before the end of this month.

Iran has neither been promised any reward nor threatened with any sanctions. It is the US which for largely unrelated reasons has banned all trade with Iran and demanded that its allies do likewise. The fact that EU members are firmly resisting this demand no doubt increases their leverage over Iran, rather as Margaret Thatcher at one time gained influence in South Africa by resisting pressure from other western governments to apply tougher sanctions on the apartheid regime.

## Formal reply

So it is not altogether surprising thet the Iranian foreign minister, Ali Akbar Velayati, has been repeating the "Danish" assurance in an interview with the BBC, while his officials say an Iranian delegation will visit Europe with a formal reply within the next two weeks. Perhaps even more significant was the recent statement of Iran's top legal official, Ayatollah Mohammad Yazdi, that the *fatwa* against Mr Rushdie is "outside the legal system of Iran" and unenforceable by Iranian courts. Mr Rushdie is hardly likely to place himself within the jurisdiction of those courts. But the statement appears to negate the entire thrust of Iran's Islamic revolution, which sought to abolish any distinction between religious and secular law.

If Iran's answer is indeed positive, the EU and Mr Rushdie should still proceed with caution. Iran's behaviour will have to be carefully monitored to see that it conforms to the undertakings given; and an officially inspired Iranian attempt is not the only threat to Mr Rushdie's life (though it is the main one). But the fact that Iran is taking the démarche seriously can already be chalked up as a modest success for the EU's foreign and security policy.

# Entertainment takes the rap

**Attacks on sex and violence in films and music pose difficult problems for media groups, says Tony Jackson**

Pop culture questioo (clockwise from top left): Time Warner chairman Gerald Levin, Senator Robert Dole, Jnliette Lewis and Woody Harrelson who feature in Natural Born Killers, and rap artist Snoop Doggy Dogg

Too much sex and violence, too many offensive films, too many obscene songs. The US entertainment business is in the doghouse again: or at any rate, important parts of it are.

Last week Senator Robert Dole, Senate majority leader, lambasted the media giant Time Warner for "marketing evil through commerce". According to Mr Dole, Time Warner is "on the leading edge of coarseness and violence".

Mr Dole has in mind Time Warner films such as *Natural Born Killers* and *True Romance* and rap music albums from groups such as Cannibal Corpse, Geto Boys and Snoop Doggy Dogg. These produce the music known as "gangsta rap", which has been accused of unacceptably violent and sexist language. Several gangsta rap artists have criminal records.

Time Warner is not the only target. Senator Dole's wife, wbo is bead of the American Red Cross, followed his broadside by selling her shares in Disney. Through its Miramax subsidiary, Disney produces or distributes such contentious films as *Priest*, whicb portrays gay Catholic clergy in Liverpool, and the violent films *Pulp Fiction* and *Reservoir Dogs*.

Mr and Mrs Dole were only following a trend, however. In April, the Knights of Columbus, a powerful Catholic organisation, sold $3m-worth of Disney stock. Last month Mr William Donohue, president of the Catholic League, declared in a letter to the Wall Street Journal: "We are leading a nationwide attack against Disney – ranging from a boycott to a stockholder revolt – doing everything possible to blacken its Snow White image."

It is tempting to dismiss these events as the American public going through one of its periodic fits of morality. For the management of those companies, however, it poses a genuine conundrum.

Consider the pros and cons for a company sucb as Time Warner. On the one hand, it helps its image in some parts of the youth market to be seen as bold and unconventional. Also, the company lives by the quality of its ideas: imposing bureaucratic constraints from the centre might hamper its creativity.

Conversely, violent films and gangsta rap records harm the company's image as a provider of entertainment for families and children. There is also a wider political issue. As a provider of cable TV and – increasingly – telephony, Time Warner will be vitally affected by the deregulation of those industries now being debated in both Senate and Congress. It is not a good time to be making political enemies, particularly on the right.

Asked how the company approaches the whole issue, a Time Warner executive gives a terse one-word answer: "Carefully". Or as Mr John Reidy, a media analyst at Smith Barney, the Wall Street stockbroker, puts it: "This is a very sticky wicket. That's what chief executives get paid a lot of money to figure out."

Mr Gerald Levin, Time Warner's chairman, is still figuring. Three years ago he defended rap music at a time when the company faced criticism for putting out Ice-T's gangsta rap song *Cop Killer* (tbe singer later switched to another recording company).

Last mooth, at an occasionally stormy annual meeting, he seemed to modify his position slightly. The heads of Warner's music business, he said, would conduct an industry-wide review of standards and practices. That review is still going on.

How much is really at stake commercially? Ms Jessica Reif of Merrill Lynch, the stockbrokers, says: "I don't sense a groundswell of support for Dole. *Priest* didn't do well because it was a crappy movie. I don't think people will refuse to go to *Pocahontas* [Disney's latest cartoon feature] or to Disney theme parks because of it."

Mr John Reidy of Smith Barney agrees. If Disney or Time Warner were to drop cootentious films and music entirely, he says, it would scarcely affect the stock price.

Last year Warner Music put out 1,250 albums in the US. Of those, just 15 were rap albums carrying stickers warning parents of their explicit contents. A media analyst at one of the big US fund managers calculates that if the company were to drop all its more contentious rap recordings, it might lose about $20m a year in profit. In the context of likely profits of $800m from Time Warner's music business alone, thet is tiny.

In the case of Disney, similar sums apply. Films such as *Priest*, the analyst says, account for less than 1 per cent of its total $12bn revenues.

Nevertheless, some Wall Street observers express puzzlement about why the companies put out such material at all. "You really do wonder," says Mr Reidy, "wby these producer types push the edges of decency."

In the case of Disney and its subsidiary Miramax, this has given rise to a kind of conspiracy theory. Some observers think that Disney, which acquired the company in 1993, is attempting to rein in Miramax's executives who enjoy an independent position within the group. What if Miramax, in retaliation, is trying to goad Disney into getting rid of it?

Although there is no real evidence to support this, Miramax does appear to be pushing against the bounds of sceptable taste. Miramax originally wanted to release *Priest* on Good Friday, and was only dissuaded from doing so by pnblic outcry. Its latest release, *Kids*, depicts the sex lives of teenagers in Manhattan. It features a 17-year-old male who specialises in deflowering under-age virgins and turns out to be HIV-positive.

Apart from the particular circumstances at Miramax, some analysts put the controversy down to pressure on executives to perform. As one puts it, "I suppose the guys at the operating level think a given movie or record is going to be profitable, and that if they don't put it out, they won't get their bonus."

There is likely to be a reaction within the companies themselves. Mr Reidy of Smith Barney says: "One could logically assume that there is a behind-the-scenes effort to encourage less provocative material from the respective subsidiaries."

This may prove harder than it sounds. As one industry executive puts it, the entertainment business is not like making motor cars or sausages. There is no standard product, and there can be no central committee for quality control in such a creative environment.

Against this, Disney and Time Warner manage to avoid producing bard-core pornography, despite the fact that this is perfectly legal in the US. But, the industry argues, X-rated pornography is fairly easy to define. With other kinds of material, the problem lies in setting the limits of the acceptable.

There is considerable support for that view in the investment community. Even Disoey's hugely popular children's cartoon *The Lion King* came in for controversy. "When it came out last year," says one analyst, "it got criticised for being racist in its depiction of hyenas, and by the religious right for suggesting animals have souls."

As another analyst says, "there are an awful lot of movies being made which church groups and the Pat Buchanans [the conservative columnist and Republican presidential candidate] of this world will never like. The only thing they would accept would be travelogues or nature documentaries."

According to Ms Reif of Merrill Lynch, companies are right to resist criticism. "They can't cave in on every issue to every pressure group," sbe says. "You can't run a business that way."

If Wall Street takes that view, an important source of political pressure is removed. As the analyst with a big fund manager points out, most Disney stock is beld not by the Knights of Columbus or Mrs Dole, but by the big financial institutions.

"Disney is the most child-friendly company there is", he says. "If you're going to attack Disney, I don't know what you're going to bave in your portfolio."

**The former Soviet bloc is catching up on western advertising, says Virginia Marsh**

# Full of eastern promise

Cartoon figures of Marx, Engels and Lenin bounce across the television screen, only these days they are grinning and the beards are gone. Their revolutionary message to Czech workers is no longer that they should unite – rather that they should shave and use a Philips razor while they are at it.

This award-winning commercial for Czech television is just one of the many advertisements unthinkable in eastern Europe six years ago.

Other nominations for last year's Czech advertising awards included slick banking and insurance commercials, using scenic shots of Prague to emphasise national heritage; children taking time ont from a music recital to gorge themselves on a new whipped pudding; and state-sponsored messages warning against drug-taking and unbealthy lifestyles.

"The last 100 years of western advertising have been compressed into just four for us," says Marek Sebestak, managing director of Mark/BBDO Prague.

Mr Sebestak, whose agency is the largest in the Czecb Repnblic in terms of income, says that there are now no fundamental differeoces between consumers in the former eastern bloc and those in western Europe. "There's less buying power in this region but no difference from the communication and consumer point of view," he says.

This may bs so in the Czech Republic – arguably the country in the region which is most advanced in the transition to a market economy. But there are still plenty of surprises for western companies trying to penetrate markets in other parts of the former Soviet bloc.

For example, a soft drinks company wanted to include Bulgaria in an international campaign promoting its product with health-minded young people – those who enjoy nature and an outdoor lifestyle rather than discos, casinos and city nightlife. Tha company's local advertising agent told it to think again: after four decades of dictatorship, many young Bulgarians are ready for images of glitzy nightclubs and bars.

In Romania, a leading soap powder maker went to the trouble of producing local language packaging labels, only to discover that boxes with instructions written in Romanian were the last to sell. Consumers thought the product was local – and therefore shunned it.

Standards of many locally prodnced goods were so low in the 1980s that many Romanians pre-

> **'We realised the global ad wouldn't work as most Romanians don't know what bouillon is'**

ferred foreign products, says Cristina Oanta, senior account executive at Bates Centrade Saatchi and Saatchi in Bucharest. "There was a complete mistrust of local goods, although standards in Romania are now improving and Romanian products are regaining ground as they are nsually cbeaper and more affordable," she says.

While countries in the region are moving to a market economy at different paces, most advertising agencies say that east European consumers are receptive to commercials emphasising valoe for money and product durability. For example, a Hungarian-made commercial for Daewoo, the South Korean carmaker, shows a man checking his wallet to see if be can afford tbe car. Agencies say such an advert would never work in western Europe where products must not be sbown to be cheap.

In the first days of the transition to a market economy, international agencies – which now dominate the region's advertising markets by up to 90 per cent in some countries – made the mistake of using global adverts depicting lavish lifestyles, even when selling everyday goods aimed at low-income consumers. Food or coffee commercials set in large luxury kitchens proved alien and offensive to eastern Europeans.

"Advertisements arriva here from other countries where living standards are much higher," says Raymond Havasi of Euro RSCG Havasi in Budapest. "People feel these products are unattainable for them . . . they start bating the product."

Advertisements for some products have also had to contain more explanation than in other parts of the world. Ms Oanta, for example, says she is developing a TV commercial for a company selling stock cubes in Romania, where few western consumer goods were available prior to 1989.

"We realised the company's global ad showing a happy family gathered around the dinner table wouldn't work as most Romanians don't know what *bouillon* is. Our commercial will explain bow the product can be used," she says.

The International Advertising Association says that many eastern European consumers took advertising too literally in the first post-communist days, and were then disappointed when products failed to live up to expectations. But western agencies and advertisers planning campaigns in the region can now draw on an increasing stock of high-quality adverts made and successfully used in countries such as Hungary and the Czech republic.

# *OBSERVER*

## Clarion call at Sandoz

■ Clariant is not a new detergent but the invented name for the company being formed from the chemical dyes, additives and pigments division of Sandoz, the Basle-based pharmaceuticals and chemicals group.

Wherefore Clariant? The short answer is that Sandoz hired the same consultants, Siegel & Gale, who recently invented Cordiant as the new name for the advertising agency Saatchi & Saatchi.

The longer answer is the usual difficulty of trying to find a name not already grabbed by someone else in the dozens of countries in which the group is active. That leaves only acronyms and so-called 'fantasy' names to choose from.

But surely they could have found something more distinctly individual? Meant to evoke thoughts of clarity and reliability, Clariant is so close to Cordiant that, if Observer were a Sandoz director, there would be a call for a reduction in Siegel & Gale's fees. And if that didn't work, a suggested further name change. This time for the consultants – to Corpulent.

## No grunge, thanks

■ At least one decision was made yesterday at the bankers' annual talking shop, the International Monetary Conference, in Seattle.

Tom Labrecque, cbairman of Chase Manhattan, was installed as president for the next year, meaning be will lead the next IMC meeting – in Sydney – next June.

Labrecque, at Chase since 1964, and chairman since 1990, was Chase's representative on the team which came np with the money to gain the release of US hostages from Iran in 1980. He is also currently a member of President Clinton's Export Council.

Lord Alexander, chairman of National Westminster Bank, becomes vice-president, which means – barring a revolution – he will succeed Labrecqne next year. Alexander gained some kudos among bankers at last year's IMC in London for pulling off a reception at Buckingham Palace.

This year's entertainment was less spectacular, although bankers were charmed on Tuesday night at the Museum of Flight by the American jazz singer Diane Schuur.

Not a sign of the "grunge" music for which Seattle is better known these days.

## It's in the blood

■ Can there be a touch of financial megalomania in the blood of the French family Pébereau? First Georges Pébereau, head of Marceau Investments, makes a failed attempt to buy Société Générale, one of France's largest banks, in 1988, backed by the socialist administration of the time.

Now Michel Pébereau, his brother and head of Banque Nationale de Paris, seems to be taking np where his sibling left off, with an apparent attempt this week to takeover Suez, France's flagship industrial and financial holding company. He is believed to be particularly interested in Indosuez, Suez's banking arm.

Judging by developments yesterday, it looks like he too, a former member of the elite ranks of the French civil service, may be snubbed. But – *quel horreur* – the white knight comes in the form of Francois Pinault, a rags-to-riches businessman with no such establishment background.

## Shrinking violets

■ The hammer and sickle still figure – just about – on the party's banner, but Italy's former communist party, now the innocuously titled Party of the Democratic Left, will suffer the indignity of having to abandon its vast *palazzo rosso* on Rome's via delle Botteghe Oscure, the party's home since 1945.

So tight are the PDL's finances that at Christmas it will move into premises half the size – a mere 3,000 square metres – on three floors under one of the three largest left-wing trades unions, the CGIL, on the street named after Italy's most enlightened right-wing statesman, Camillo Cavour.

Two more properties are also being sold: a villa called Le Frattochie, once used by the former party leader, Togliatti, as his summer retreat, and two floors in a handsome central 17th century building, home to the Gramsci Institute.

All very sad for the ex-comrades, but as Antonio Gramsci said: "Pessimism of the intellect; optimism of the will."

## Boxed-in city

■ Mayor Rudolph Giuliani's campaign to turn New York into a nicer, cleaner city has turned its attention to the newspaper industry. No, Giuliani is not trying to rein in the tabloids, but tidy up the newspaper vending boxes adorning virtually every Manhattan street corner.

Newspaper proprietors are irked with the mayor's plan to limit the number of sites where the boxes can be placed and make newspapers pay for the right to use them. They in turn claim the proposal infringes their First Amendment right to free speech.

Admittedly, the boxes are an eyesore. Many street corners are cluttered with up to half-a-dozen of them, sometimes taking up so much room that it's difficult to cross the street.

But as the Financial Times is responsible for more than 100 of the things, perhaps we should keep quiet.

*The Financial Times*

## 100 years ago

**Russian loan to China**

For the benevolence shown by Russia towards China in protesting against the cession to Japan of the Liao-Tung peninsula, she hopes to get her reward. Russia has apparently secured the first instalment of the Chinese loan, and has ousted not only the German bankers, but also the English syndicates who were competing with each other to find the indemnity money. Russia could not raise at home the fifteen or sixteen million pounds required, so she has resorted to her friends in Paris, and by doing what few European powers could do – raising money for extraneous purposes upon her absolute and unconditional guarantee – will be able to make a nice little sum annually.

## 50 years ago

**Bretton Woods approved**

New York: The House of Representatives overwhelmingly approved the Bretton Woods pacts by a vote of 345 to 18. The legislation now goes to the Senate, where opposition suggests there will be a fight. The opposition before the House, however, failed to produce much sympathy, and attempts to amend the legislation in any important respect failed.

FINANCIAL TIMES
Thursday June 8 1995



# Clinton uses first veto on $16.4bn budget cuts

By Jurek Martin in Washington

US President Bill Clinton yesterday exercised the first veto of his term in office, setting the stage for further confrontations witb the Repuhlican-controlled Congress.

He vetoed a $16.4bn package of spending cuts from the current year's budget on tbe grounds that the hill reduced social programmes, especially in education, while preserving questionable public works projects sponsored by individual members of Congress.

Last montb Mr Clinton proposed alternative spending cuts, leaving tbe overall amount uncbanged, but tbey were rejected by Congress, prompting him to threaten a veto.

Mr Clinton's first use of the presidential prerogative is of both symbolic and political importance. It is intended to demonstrate that he is not prepared to accept much of the radical legislation now under consideration in the legislature and it challenges Republicans in Congress to override him.

History suggests that vetoes, which can be reversed only by a two-thirds vote in both houses, are usually sustained, even when Congress and the White House are in different political hands.

President Harry Truman used the veto on 250 occasions in his two terms, a post-war record, and was overridden by the Republican Congress only 12 times. President Ronald Reagan exercised it 78 times and was reversed on only nine occasions, in spite of solid Democratic majorities in the House.

The least successful modern president was Gerald Ford, wbo lost 12 times out of 66. President George Bush, facing a progressively more hostile Congress, was sustained in all but one of his 46 vetoes.

Presidents John Kennedy and Lyndon Johnson in their eight years in office never saw one of their 51 vetoes overridden.

The relatively slim Republican majorities in the current Congress – 230 out of 435 in the House and 54 out of 100 senators – put the odds in Mr Clinton's favour. Even Republican leaders doubtthat yesterday's veto can be overridden.

Congressman Newt Gingrich, the speaker, and Senator Robert Dole, tha majority leader, yesterday issued an 11th bour appeal to the president not to use his first veto "to show that he is serious about cutting spending".

Mr Gingricb has also threatened to raise the stakes later in the year, to the point, if necessary, of shutting down the federal government at the end of the fiscal year in September if budget bills have not been signed.

Equally sharp confrontations can be expected on social legislation such as welfare reform and over any attempt to repeal last year's ban on the sale of some types of assault weapons.

But the capacity for co-operation still exists. Yesterday tbe Senate moved closer to approval of the anti-terrorism bill following significant concessions hy both sides. Mr Clinton said he could support limits on the number of appeals from death row convicts, while Mr Dole dropped objections to expanded federal wire-tapping authority.

# Brussels gives Spain a week to justify Seat aid

By Lionel Barber in Brussels

The European Commission yesterday gave the Spanish government a seven-day deadline to justify Pta46bn ($371m) of subsidies to Seat, Volkswagen's loss-making snbsidiary, or face a full-scale investigation whicb could force repayment of the aid.

Although the commission decided yesterday that the July 1994 subsidies amounted to illegal state aid, the seven-day reprieve seemed designed to encourage the Spanisb government to resubmit the package for possible approval by Brussels.

Spanish officials are due to arrive for talks in Brussels tomorrow with Mr Karel van Miert, EU competition commissioner. Approval will depend on the Madrid government showing that the aid was part of a genuine restructuring package ratber than operating subsidies to keep Seat afloat.

The Seat case is politically sensitive because tbe company is based in Catalonia, wbere the nationalist party is propping up tbe minority socialist government in Madrid led by Mr Felipe González.

The payments have, tbough, provoked sharp reactions from other multinational motor groups which manufacture in Spain, including Forn and General Motors. Seat lost around Pta55bn in 1994, and Pta151bn in 1993.

Mr van Miert has been dealing with Spain for more than a year over the terms of the payments to Seat.

The funding took the form of two bridging loans whicb Brussels views as advance payments for future state aid: a Pta38bn Spanisb government subsidy, and Pta8hn aid from tbe Catalan regional authorities.

The Spanisb authorities, not wanting to admit that the company was in trouble, have argued the payments were made to support investment and development rather than job cuts. Volkswagen was, bowever, ready to describe it as a restructuring in line with EU rules, according to a senior commission official.

A stand-off followed as commission officials who travelled to Madrid were refused a copy of the original agreement between Volkswagen and the Spanish government.

As the threat of a full-scale investigation bas drawn closer, the Spanisb autborities have become more co-operative. "We always like to settle these matters out of court," said a Brussels official.

The commission decision yesterday means that Seat and the Spanish autborities have one week to prove that the aid was channelled into a restructuring plan, or a formal investigation will automatically go into force whicb could lead to partial or full repayment.

# Trial call

Continned from Page 1

former prime minister. He has denied knowing anything about payments, whicb be said were extorted from managers of his Fininvest husiness. If Milan judges eventually decide that Mr Berlusconi and tbe fashion designers sbould be tried, tbe cases are likely to binge on wbether payments were extorted or involved collusion on the part of the business community.

Many business people in Italy concede that tbe practice of paying tax police was reasonahly common before magistrates began to investigate Tangentopoli – "Bribesville" – three years ago. The indictment is a reminder of the changes at the heart of the Milan anti-corruption pool since last Seplember.

The initial questioning of the designers was carried out by the pool's star, Mr Antonio Di Pietro, wbo has since resigned from the magistrature, and is figbting charges that he abused his public office while condncting anti-corruption inquiries.

# Bosnia rift

Continued from Page 1

throughout, with no sharing of responsibility with the UN; robust rules of engagement; and no risking US lives to rescue stranded equipment.

A UN delegation arrived yesterday at Pale, the Bosnian Serb stronghold, to negotiate over free passage for food convoys through Serb-held territory. This mova, which followed pledges by UN commanders not to deal directly with tbe Bosnian Serbs, was expected to intensify scepticism in Washington about UN tactics.

# US shareholder activists to take campaign abroad

By John Gapper in Seattle

The California Public Employees' Retirement System (Calpers), one of the leading forces in shareholder activism in tbe US, is likely to start a corporate governance campaign overseas later this year.

Calpers bas $80bn in assets under management, and has put pressure on the managements of a number of underperforming companies since 1984. It is likely to launcb its effort in the UK, Germany or Japan.

Mr James Burton, chief executive, said yesterday at the International Monetary Conference, a bankers' meeting in Seattle, that Calpers planned an overseas campaign starting in September or October.

It would mirror US campaigns, by holding discussions with companies in which it owns equity and which have performed poorly, with a view to improving their management practices.

A Calpers initiative in the UK or in Germany would mark an acceleration of the European trend towards sharebolder activism, which has led to more pressure on managements to improve their performance.

Union Bank of Switzerland has been put under pressure by BK Vision, the fund management group. In the UK, Mr Maurice Saatchi resigned from the advertising group Saatchi & Saatchi after shareholder criticism.

Mr Burton said Calpers bad targeted 35 US companies this year among what it calls its failing 50. These are the poorest performing of the 1,200 companies in which It owns large equity stakes. He said Calpers held 13 per cent of its assets in overseas equity, and be expected this to rise to 20 per cent. It had held talks with European funds which wanted to adopt a more active approach.

Calpers had published a "call to action" among some of the largest US companies urging them to follow General Motors in adopting guidelines on director remuneration and other issues of corporate governance.

Mr Burton said Calpers believed its effort was "an attempt to buy back that feeling of ownership we lost when our individual shares in a business enterprise became so dispersed through the public markets".

He said that Calpers was likely to start its effort in at least one of the three overseas markets in whicb it owned most equity. It would probably begin with a public declaration of its interest in the market.

Although Calpers has had talks with European funds, it was "looking at something a little more comprehensive". He said it would make its intentions known without naming specific underperforming companies.

Mr Burton said Calpers might have to appoint a local representative in the market it selected to carry out its programme, or employ a local research group to study targeted companies.

## THE LEX COLUMN

# Cable ties the knot

The great consolidation of the UK cable industry has begun. TeleWest's planned takeover of SBC CableComms, owned by SBC and Cox, will probably trigger a wave of other mergers. In a few years, the UK industry could shrink from around 20 middle-sized operators to a handful of big ones.

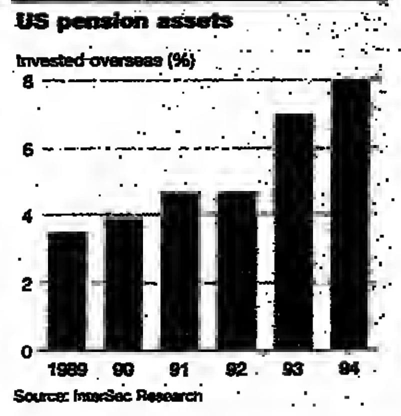
The logic of consolidation is powerful. Forming clusters of franchises, rather than having operations dotted around the country, provides engineering, maintenance and marketing efficiencies. Fixed costs, such as telephone switches, can be shared among larger numbers of customers. Big cable groups should also have greater bargaining power in securing rights to television programmes and films. This logic has already prompted a string of multi-billion dollar deals in tbe US over the past two years.

One reason for floating the UK cable industry is now apparent. TeleWest could not afford a casb bid, but it can offer paper. SBC and Cox, which have large capital requirements in the US, will be able to cash out later. Of the quoted cable companies, the most likely hid targets are International CableTel, Bell Cablemedia and Comcast UK Cable. Nynex CableComms, currently seeking a flotation, and General Cable look more like buyers.

Cable investors may worry that the prospect of SBC and Cox selling TeleWest equity, once an expected one-year lock-up period expires, could depress share prices. On the other hand, the market no longer has to fear the prospect of SBC CableComms seeking its own listing. And in the long run, a string of bids and the economic benefits of consolidation will be good for sector valuations.

FT-SE Eurotrack 200: 1462.9 (-2.5)

US pension assets




Source: InterSec Research

## Sandoz/Clariant

The reasons why Sandoz is selling its Clariant chemicals business are strategically sound and the timing looks propitious. But that does not mean the price achieved for Sandoz's speciality chemicals subsidiary will be at the high end of expectations. Sandoz's threats of selling to a trade huyer if institutions pitch too low look like bluster: if trade or financial purchasers existed they would have emerged by now.

Potential investors will need to consider Clariant's significant exposure to currencies. Much of its costs are incurred in Swiss francs, the majority of its revenues are generated in dollars, and a substantial proportion of its products are distributed in Asia. True, any appreciation of the dollar would fall quickly through to its profits. But any concomitant depreciation of the Swiss franc would hit the value of overseas shareholdings. The stock may prove attractive primarily to domestic investors.

Clariant's long-term growth prospects are also in doubt. In early years, earnings will be driven by cost-cutting. And prices should eventually improve, compensating for higher raw material costs. But to achieve long-term growth Clariant needs to invest in production in Asia where its textile and leather industry customers increasingly are based. Although Clariant should quickly rednce gearing, its balance sheet may prove inadequate to finance such investments. Book-building is always an exercise in bluff, but Sandoz's advisers have not been dealt a particularly strong hand.

## Lloyds Bank

Lloyds Bank's putative bid for National & Provincial Building Society looks like a classic example of spoiling tactics. Its potential offer is believed to be no higher than Ahbey National's hid of about £1.1hn. But its strategy could well force up the price paid for N&P, if it is eventually sold rather than merged with another society and floated. This is because N&P's managers need not recommend the highest offer to the society's members.

The reason Lloyds' hid does not look over-serious is only partly because its management's attention will be taken up absorhing Cbeltenham & Gloucester. The main obstacle is financial. Lloyds might privately claim it could pay £1.8bn for C&G and a further £1bn for N&P from cash-flow. But there is little doubt the acquisitions would eat into the group's tier one capital ratio, reducing it to as little as a barely acceptable 5 per cent. Lloyds would probably require a rights issue, something the bank has not done in recent memory.

That does not mean Abbey National will win N&P. Although they should not matter, Abbey National's aggressive tactics have clearly upset N&P's managers. A merger with Nationwide or Alliance & Leicester is the most likely ontcome. But the higher the price offered by Abbey National, the more difficult it will be for N&P's management to convince members of the merits of a merger.

## Hambros

Hambros' bundle of unconnected businesses never appealed to tidy minds. But the merchant banking group could shrug off the criticism that it lacked focus when profits were good. Now, with profits plummeting, this is harder. The traditional benefit of diversification – that weakness in one division is offset by strength elsewhere – did not come to Hambros' rescue last year. Bond markets, the UK housing market and loss-adjusting were all weak at the same time.

Though some pick-up this year is likely, prospects are not great. Hambros' lending business, which increased bad debt provisions in a year when the main clearing banks cut theirs, is struggling. Finding a competitive edge will be even harder following the Barings crisis which led many depositors to withdraw funds from merchant banks. Hambros has also taken to bedging more of its bond portfolio, which is sensible given its small balance sheet; but it also limits the potential upside.

Hambros' share price has halved relative to other merchant banks since last year. Poor financial performance is one reason; the fact that it is not considered a takeover target, unlike S.G. Warburg and Kleinwort Benson, is another. No continental European commercial bank looking to build an investment bank would buy Hambros. But the group contains attractive nuggets and, when the unrealised surplus value of its investments is taken into account, it is trading at a big discount to net assets. It could be an ideal candidate for a hreak-up bid.

Additional Lex on Granada, Page 20



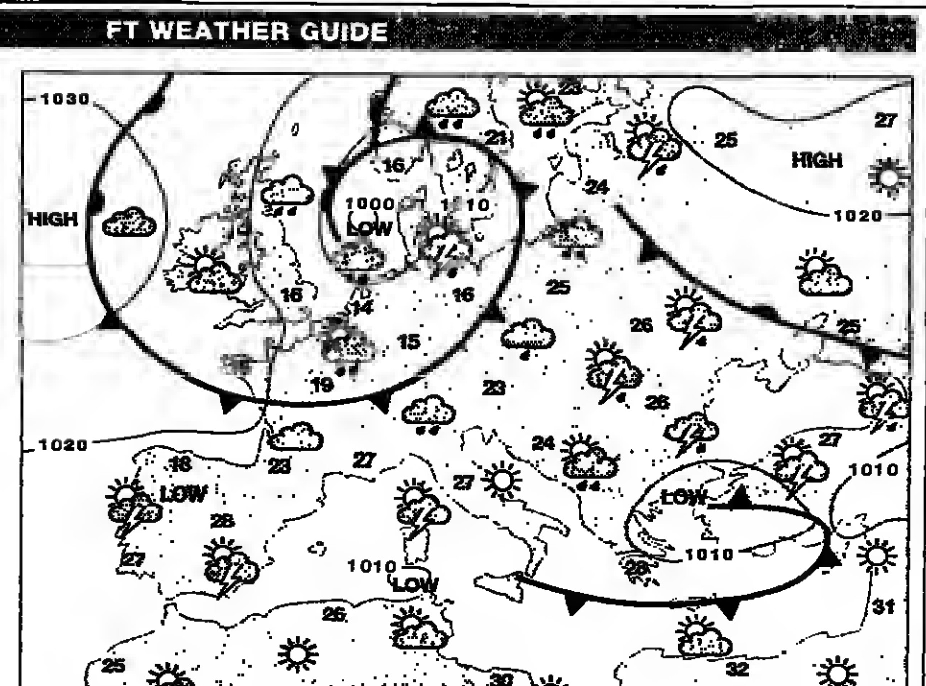
## FT WEATHER GUIDE

### Europe today

A small, but strengthening low pressure system over the eastern North Sea will cause overcast skies and rain from southern Norway, across Denmark and into the eastern UK. Later in the day, rain will reach the northern Benelux. Afternoon temperatures in these areas will be below seasonal levels, near 14C. West of this low, colder and drier air will spread over the UK resulting in broken cloud. The southern Benelux and Germany will have unsettled conditions leading to showers, occasionally with thunder. The leading edge of the colder air will reach central France, the northern Alps, eastern Germany and Poland causing rain or drizzle. Portugal and parts of Spain and the Balkans will have rain and thunder showers.

### Five-day forecast

The vigorous low over the North Sea will hardly move during the next couple of days, but will slowly weaken. Spain, much of central Europe and Turkey will see little change. At the start of the weekend, a small disturbance will cause rain over much of the UK.




Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

| | Maximum Celsius | |
|---|---|---|
| Abu Dhabi | sun | 40 |
| Accra | cloudy | 32 |
| Algiers | cloudy | 23 |
| Amsterdam | rain | 13 |
| Athens | fair | 28 |
| Atlanta | fair | 36 |
| B. Aires | fair | 17 |
| B.ham | cloudy | 15 |
| Bangkok | shower | 35 |
| Barcelona | fair | 24 |
| Beijing | shower | 28 |
| Belfast | fair | 14 |
| Belgrade | fair | 23 |
| Berlin | fair | 15 |
| Bermuda | fair | 28 |
| Bogota | cloudy | 19 |
| Bombay | fair | 34 |
| Brussels | shower | 15 |
| Budapest | shower | 25 |
| C.hagen | shower | 18 |
| Cairo | sun | 37 |
| Cape Town | shower | 17 |
| Caracas | thund | 30 |
| Cardiff | fair | 15 |
| Casablanca | cloudy | 23 |
| Chicago | cloudy | 22 |
| Cologne | drzzl | 15 |
| Dakar | fair | 28 |
| Dallas | fair | 36 |
| Delhi | fair | 36 |
| Dubai | sun | 37 |
| Dublin | cloudy | 15 |
| Dubrovnik | fair | 25 |
| Edinburgh | cloudy | 14 |
| Faro | shower | 23 |
| Frankfurt | shower | 18 |
| Geneva | rain | 22 |
| Gibraltar | fair | 28 |
| Glasgow | fair | 16 |
| Hamburg | rain | 14 |
| Helsinki | shower | 22 |
| Hong Kong | cloudy | 29 |
| Honolulu | fair | 31 |
| Istanbul | fair | 28 |
| Jakarta | cloudy | 32 |
| Jersey | fair | 13 |
| Karachi | sun | 36 |
| Kuwait | sun | 43 |
| L. Angeles | sun | 23 |
| Las Palmas | fair | 24 |
| Lima | cloudy | 23 |
| Lisbon | thund | 27 |
| London | drzzl | 15 |
| Lux.bourg | fair | 14 |
| Lyon | rain | 22 |
| Madeira | fair | 22 |
| Madrid | thund | 28 |
| Majorca | fair | 27 |
| Malta | fair | 30 |
| Manchester | cloudy | 14 |
| Manila | fair | 32 |
| Melbourne | shower | 19 |
| Mexico City | fair | 30 |
| Miami | thund | 33 |
| Milan | shower | 24 |
| Montreal | cloudy | 22 |
| Moscow | sun | 25 |
| Munich | shower | 21 |
| Nairobi | fair | 28 |
| Naples | sun | 26 |
| Nassau | shower | 32 |
| New York | fair | 26 |
| Nice | sun | 24 |
| Nicosia | sun | 31 |
| Oslo | rain | 17 |
| Paris | fair | 18 |
| Perth | shower | 19 |
| Prague | drzzl | 19 |
| Rangoon | cloudy | 33 |
| Reykjavik | cloudy | 14 |
| Rio | fair | 26 |
| Rome | sun | 26 |
| S. Frsco | sun | 20 |
| Seoul | fair | 27 |
| Singapore | cloudy | 34 |
| Stockholm | fair | 23 |
| Strasbourg | rain | 18 |
| Sydney | fair | 17 |
| Tangier | cloudy | 24 |
| Tel Aviv | sun | 31 |
| Tokyo | shower | 22 |
| Toronto | fair | 20 |
| Vancouver | fair | 21 |
| Venice | shower | 24 |
| Vienna | fair | 25 |
| Warsaw | fair | 25 |
| Washington | sun | 33 |
| Wellington | shower | 10 |
| Winnipeg | fair | 17 |
| Zurich | rain | 17 |



هدا من الاصل

FINANCIAL TIMES
# COMPANIES & MARKETS



Thursday June 8 1995



IN BRIEF

## GEC poised to bid for VSEL today

*GEC is expected* to renew its bid for *VSEL*, the Barrow-based submarine maker, this morning. Its cash offer will be a significant advance on the £14 a *share it offered for VSEL last December before it* was referred to the Monopolies and Mergers Commission. It will also almost certainly leapfrog the *British Aerospace offer of 3.3 BAe shares for every* VSEL share, which last night was worth £17.85. VSEL shares closed at £18.40.

**Microsoft and Ericsson in phone link**
Microsoft, the world's largest computer software company, and Ericsson, the *Swedish telecommunications group*, have signed an agreement to develop products for integrating telephone systems and personal computers. Page 16

**The fizz returns to Cott**
Cott, the Canadian soft drinks bottler, returned to profitability in the first quarter as solid gains in US and international business offset lower case sales in Canada. Page 17

**JAL keen to resume dividends**
Japan Airlines (JAL) is eager to resume dividend *payments as soon as possible*, said Mr Matsuo Toshimitsu, president. The Japanese flag-carrier's efforts to cut costs and boost sales were beginning to bear fruit, he added. Page 18

**Developers add to Manila's financial area**
Metro Pacific, the Philippine arm of diversified Hong Kong-based First Pacific, is paying 39bn pesos ($1.5bn) for prime property in Manila. The area is being developed *to complement* Makati, the capital's financial district. Page 18

**Granada seeks extra TV channels**
Granada, the UK leisure and rental group, is developing low-cost television channels to exploit the company's production capacity. Page 20

**Sugar fall fails to sour Greencore**
Greencore, the Irish sugar, malting and milling group, lifted interim profits 13 per cent in spite of a 3 per cent fall in profits from sugar. Page 20

**Arjo Wiggins invests in US**
Arjo Wiggins Appleton, the Anglo-French paper group, announced a £170m investment in the US paper market. Page 20

**Lloyds may enter building society battle**
Lloyds Bank of the UK has expressed an interest in acquiring National & Provincial, the building society which is considering bid proposals from several *banks and rival building societies*. Page 20

**China dips into copper reserves**
China will have raised more than $200m of badly-needed foreign exchange from this year's sales of copper from its "strategic reserve", reports the *Bloomsbury Minerals Economics* consultancy organisation. Page 21

**Companies in this issue**



**Market Statistics**



**Chief price changes yesterday**

| | | | |
|---|---|---|---|
| **FRANKFURT (DM)** | | | |
| **Rises** | | | |
| DLW | 375 | + | 19 |
| BEHE | 645 | + | 8.5 |
| Lufthst | 700 | + | 10 |
| **Falls** | | | |
| Asko | 820 | - | 35 |
| Degussa | 443 | - | 7 |
| SAP AG | 1707 | - | 83 |
| **NEW YORK ($)** | | | |
| **Rises** | | | |
| AMR | 69 | + | 1 |
| Broderbund | 50 | + | 2½ |
| Caterpillar | 60⅜ | + | ⅝ |
| Delta | 68¾ | + | 1¼ |
| Microsoft | 84⅛ | + | 1½ |
| UAL | 118⅝ | + | 2½ |
| **LONDON (Pence)** | | | |
| **Rises** | | | |
| Adare Print | 325 | + | 82 |
| Ascot Hldgs | 179 | + | 12 |
| Johnston Grp | 345 | + | 10 |
| **Falls** | | | |
| Barclays | 603½ | - | 20½ |
| Henderson Ad | 1085 | - | 45 |
| Quality Care | 264 | - | 21 |
| **TORONTO (C$)** | | | |
| **Rises** | | | |
| Biochem Pharm | 25¾ | + | 1 |
| Future Shop | 16¾ | + | ¼ |
| Terra Inds | 15 | + | 1⅛ |
| **Falls** | | | |
| Algoma Steel | 8½ | - | ⅞ |
| Loewen Grp | 45½ | - | 2¼ |
| Pegasus Gld | 14¾ | - | 1¼ |
| **PARIS (FFr)** | | | |
| **Rises** | | | |
| Cred Nat | 455.5 | + | 18.6 |
| Geophysique | 393.9 | + | 11.9 |
| **Falls** | | | |
| AGF | 175.1 | - | 4.2 |
| Bouygues | 615 | - | 11 |
| Club Med | 509 | - | 13 |
| Essilor | 876 | - | 17 |
| **TOKYO (Yen)** | | | |
| **Rises** | | | |
| Haseko | 471 | + | 19 |
| Nip Fire | 545 | + | 19 |
| Showa El Wre | 434 | + | 18 |
| **Falls** | | | |
| Asahi Optcl | 310 | - | 20 |
| Casio Comp | 749 | - | 26 |
| Jap Radio | 881 | - | 33 |
| **HONG KONG (HK$)** | | | |
| **Rises** | | | |
| Lin Pac Ins | 25.5 | + | 2.85 |
| Van Shung W96 | 0.8 | + | 0.21 |
| Wrld Hsewre | 1.71 | + | 0.11 |
| **Falls** | | | |
| BZW HSI CW95 | 5.6 | - | 0.6 |
| New Wrld W96 | 7.3 | - | 0.35 |
| Peregrine In | 10.65 | - | 0.45 |
| **BANGKOK (Baht)** | | | |
| **Rises** | | | |
| SCF Finance | 89.0 | + | 8.0 |
| Thai Petro | 43.75 | + | 3.25 |
| Tonghua | 43.0 | + | 3.75 |
| **Falls** | | | |
| Bangkok Ins | 450.0 | - | 14.0 |
| Bangkok Un | 56.0 | - | 4.0 |
| Thai Cnty B | 84.0 | - | 5.5 |

New York and Toronto prices at 12.30pm.

# TV cable groups in £690m merger

## Telewest deal with SBC Cablecomms intensifies the industry's consolidation

By Christopher Price in London

*Telewest*, the UK's largest cable operator, is poised to merge its interests with those of SBC Cablecomms, jointly owned by Southwestern Bell and Cox Communications of the US, in a deal worth about £690m ($1.1bn). A deal is expected today.

The move would be the most important in the consolidation of the capital-intensive UK cable industry, which has shrunk from 52 operators in the mid-1980s, to 16.

SBC, the fifth largest UK cable group, would take a stake in Telewest as part of the deal and would end up with 20-25 per cent of the enlarged share capital.

In addition, Telewest would gain management control of the new group and keep its listed name.

Telewest, which was floated in November last year and is majority-owned by US groups TCI and US West, has a potential 17.1 per cent share of the UK cable market, with a catchment area of 2.81m homes. SBC has a 7.6 per cent share reaching 1.26m homes.

About 17m homes in the UK are in areas which are under franchise to cable operators.

SBC has laid cable past 531,000 homes and connected 112,000 by March 30. The group's main areas of interest are in the West Midlands and Merseyside.

Telewest has laid cable past about 37 per cent of the homes in the 16 regions where it operates franchises. It passes 893,000 homes and forecasts it will reach 1m by the end of 1995. It is connected to about 200,000 homes.

Its main areas of operations are Newcastle, London and Birmingham.

In its last results, for the first quarter of 1995, the group reported sales up 78 per cent to £26.4m from £14.9m, with 42 per cent of its network built. Pre-tax losses stood at £17.8m, while capital expenditure stood at £62.7m for the quarter.

Any agreement would take the combined market share of the two groups to about 25 per cent of the UK cable market and is likely to anger other cabla groups as well as British Telecommunications which has been barred by the government from carrying television on cable on monopoly grounds.

One area of concern for the smaller cable companies will the dominance of a combined Telewest/SBC in negotiating for programming. Telewest and Nynex CableComms, the US-owned cable group, recently announced a lucrative exclusive deal with BSkyB, the satellite broadcaster in which Pearson, owner of the Financial Times, has a stake. This will give the cable companies a 10-year cheap-rate contract to carry BSkyB 's channels. In return, they agreed not to compete with BSkyB's programmes.

The value put on the deal could have an impact on the flotation of Nynex, the second biggest operator in the UK, which is due to float on Nasdaq and London and announce the pricing of its shares today.

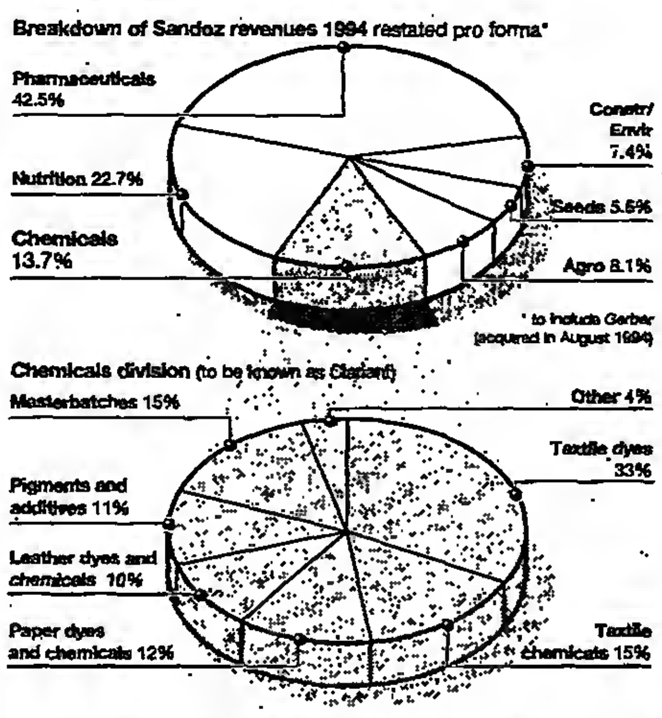
Lex, Page 14

## European rivals may follow the Swiss group's route

# Sandoz pursues a foreign formula

**Chemicals fall out**

Breakdown of Sandoz revenues 1994 restated pro forma*




| | | |
|---|---|---|
| Clariant's results on pro-forma basis in 1994 | Total sales | SFr 2.3bn |
| | Operating income | SFr 214m |
| | Net income | SFr 103m |

Source: Salomon Brothers, Sandoz

There is an air of self-satisfaction at Sandoz. The Swiss pharmaceuticals company believes it has cleverly structured the flotation of its *chemicals business and attached* itself to a US/UK model of doing business in chemicals and pharmaceuticals.

The Sandoz plan, which could flusb out a cash offer for the chemicals business, is unprecedented in continental Europe.

The company's rivals, ranging from its Basle neighbours Ciba and Roche, through the Germans Bayer and Hoechst, to Rhône-Poulenc in France, are wedded to the idea of being diversified.

Each of these companies makes and sells medicines. Between them, they also sell pesticides, *food flavourings*, perfumes, dyestuffs, leather tanning materials, anti-crease textile treatments and *construction materials*.

In the US and UK, their kind of strategy has all but been aban*doned in favour of a view that* pharmaceuticals managers should have littie to distract them.

In 1990, Du Pont, the US chemicals company, put its drugs business into a joint venture with Merck, the US pharmaceuticals company.

In 1993, ICI of the UK separated from Zeneca, its bioscience arm, while last year, Eastman Kodak of the US sold Sterling Health. This year Dow Chemical sold its stake in Marion Merrell Dow, a medicines businesses, to Hoechst for $7.1bn.

Sandoz is prepared to emulate the US/UK model in other respects. Dividends paid to shareholders, for example, are "rising towards international levels", says Mr Raymund Breu, Sandoz finance director.

At Clariant, the name given to the company formed from the *industrial chemicals division*, about one third of earnings will be paid out as dividends. Sandoz *pays about* one quarter, while Swiss companies pay about 15 per cent, says Mr Breu.

In *the London* and New York stock markets, the comparable figure is 40-50 per cent, and for the UK *pharmaceuticals* and chemicals sector, more than 60 per cent.

*Dividend considerations* are important to the flotation of Clariant. Swiss shareholders may be accustomed *to low yields, but* 60 per cent of the issue is aimed at non-Swiss shareholders.

Mr Breu goes *further*, saying if the flotation works, the idea could be repeated with Sandoz's other *non-core businesses*, seeds, agrochemicals and construction.

Although Mr Marc Moret, *Sandoz chairman*, is on record as planning these disposals, Sandoz *says it has has no immediate* intention of going ahead. Indeed it has been approached by poten*tial buyers* who are told the divisions are not yet up for sale.

Success with the Clariant flotation may tempt other companies in continental Europe to take the Sandoz route.

Each company insists it is happy with its corporate structure. But each has been taking steps to separate pharmaceuticals from other businesses.

- Hoechst has put several chemicals businesses at arm's length. There is a textile dye joint venture with Bayer, it has become the junior partner in a viscose and acrylics venture with Courtaulds of the UK, and announced a co-operation deal with BP Chemicals of the UK in plastics.

It is combining its drugs activities with those of Marion Merrell Dow and its French medicines subsidiary Roussel under a single management.

- Rhône-Poulenc last month transferred control of its newly-acquired French medicines subsidiary Cooper, and its Brazilian medicines *business* to Rhone Poulenc Rorer, its main drugs subsidiary, based in the US.
- *Ciba last year adopted* international accounting standards to become more transparent to the UK and US, sold its Indian toothpaste business and bought or increased its stakes in three US *healthcare businesses*.
- Bayar is in talks to buy a printing materials business from *Hoechst and merge it* with its Agfa-Gevaert imaging, graphic systems and consumer products husiness.

Last year, it bought back tha Bayer brand name for pharmaceuticals *in the US from Sterling* Health for $1bn, and set up a *global strategy in* generlc (unbranded) drugs.

In spite of this activity, continental Europe's companies are quick to point out the advantages of staying diversified.

Mr Alex Krauer, Ciba's chief executive, says the two sides of the business smooth out fluctuations in their performance.

Historically, tbe fast-growing drugs side provided capital for the chemicals businesses. However, over the past year Ciba's pharmaceuticals business bas suffered as big-selling products lost patent protection. Ciba has some promising new drugs in its research and development pipeline, but until sales take off it is the chemicals side that will be belping the drugs business.

Until three months ago, Sandoz appeared to embrace *the philosophy of diversity*. And the apparent domination of the group hy *Mr Moret* did not suggest that it would be the first to change its ways. But suddenly, there is no way back. *Barring catastrophe*, Sandoz will in a few weeks' time be a much more focused pharmaceuticals and nutrition group.

Perhaps Mr Moret, who has stayed in the background during the preparation and launch of Clariant, is finally preparing for a stylish departure. You do not have to look far below the chairman's office to find a whola new generation of executives.

With Clariant safely launched and Sandoz's halanca sbeet strengthened, Mr Moret could leava in a blaze of glory. "The process to ensure continuity has begun," ha said in March.

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**Daniel Green and Ian Rodger**

# Ruling pushes BBA closer to Holvis victory

By Tim Burtin London and Ian Rodger in Zurich

BBA Group, tbe UK industrial *and engineering company*, yesterday claimed victory in Switzerland's first bostile takeover battle after its *SFr443m ($379m) bid* for Holvis, the Swiss paper distribution and non-woven textiles group, was approved by the country's takeover commission.

The ruling appeared to reject claims by International Paper, the US group mounting a rival bid, that Holvis had failed to secure the best deal for its shareholders.

Expectations that BBA would complete its SFr500-a-share takeover were, however, thrown into confusion after IP won a court order preventing Holvis's directors from selling 67,000 unissued treasury shares to the UK company.

The US group, which has *offered SFr435 a share for Holvis*, was awarded a temporary injunction by a judge in Basle, who *referred the issue* to a *court* hearing next week.

An IP motion urging the judge to prevent Holvis from proceeding with a separate agreement to sell it non-woven textiles bnsiness to BBA for SFr250m was rejected.

Under the so-called lock-out, BBA will acquire the textiles subsidiary even if a higher offer emerges for the entire group.

IP, which has been pursuing Holvis for more than six months, has promised to increase its offer to SFr550 a share if Holvis backtracked on the agreement.

BBA and Holvis dismissed the *legal threat* as a *"side issue"*, which would only influence the takeover if the UK group failed to *win 51 per cent control of the* company.

"This injunction will not prevent our *offer for Holvis going* througb," said Mr Roberto Quarta, BBA chief executive.

*His* view was echoed by *Mr* Christofe Zumstein, a senior member of the Holvis management board, who said: "The takeover commission has cleared the BBA offer and IP has oot won any injunction against the non-woven textiles deal."

International Paper has refused to accept defeat.

The group, which has already acquired 25 per cent of Holvis from Mercury Asset Management, has requisitioned an extraordinary meeting to consider the BBA offer.

"Investors would then decide whether the actions of the board were in the interest of all shareholders," said Mr Milan Turk, a *senior vice president* at IP.

If the deal is approved, the takeover would make BBA one of the world's *largest* non-woven textile manufacturers.

It entered the bidding for Hol*vis only after the withdrawal* last month of InterTech, the US fabrics group.

The company, *which had* promised to offer more than SFr500 per share, abandoned its bid after IP announced that it had signed an exclusive deal to sell Holvis's distribution arm to Arjo Wiggins Appleton, the UK paper group.

# Suez talks to Pinault as hostile bid looms

By Andrew Jack in Paris

Snez, the flagship French industrial and financial holding company, confirmed that it was in discussions with Pinault Printemps Redonte, the retailing group, which conld lead to a wide-ranging restructuring.

Agreement between the groups could allow Pinault to emerge as a "wbite knight" to thwart a possible takeover of Snez hy Banqne Nationale de Paris and Union des Assurances de Paris, two of its existing shareholders, which has been mooted this week.

Mr Francois Pinault, chairman of Pinault – which owns businesses including La Redoute, the country's largest mail order company, and Fnac, the books and records retailer – said he had been in contsct with Mr Gérard Worms, chairman of Suez.

Suez also confirmed that there had been "preliminary contact" between the chairmen, bnt stressed that there were no for*mal negotiations. A statement* conld come at next Wednesday's annual general meeting.

*The idea of Suez acquiring* a stake in Pinault appears to be in line with a plan ontlined recently by *Mr Worms* of developing a fourth arm to his holding company in the service sector.

The companies' comments came after reports in the French press yesterday suggested that Snez would acquire the 40 per cent bolding of Pinault owned by Artemis, in turn controlled hy the Pinault family, and then make a bid for the remaining Pinault shares.

It could pay for the acquisition throngh an issue of new Suez shares, which wonld dilnte the holdings of BNP and UAP and so rednce the threat posed by the two groups.

Such a move wonld reqnire approval by existing shareholders, who appear split over the group's future.

*Suez and Pinault denied* the existence of a specific acquisition plan.

*There have been reports* that BNP and UAP had held discussions with Suez about a three-way merger to create a large financial conglomerate, which might lead to the break-up of the existing bolding company.

The three companies denied the details of a merger, but BNP and UAP said they had considered closer co-operation with Suez.

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# Hambros forced to cut payout

By Nicholas Denton in London

Hambros, the UK merchant bank, halved its dividend yesterday reflecting the troubled bond and housing markets, and an erosion of confidence in merchant banks after the collapse of Barings.

Pre-tax profits in the year ending *March 31 dropped 58 per cent* to £37.1m ($58.9m), their lowest level in 10 years. Estimated earnings per share of 4.5p left the full-year dividend uncovered even though it was reduced from 15p to 7.5p. The shares fell 20p to 190p.

Lord Hambro, chairman, said the results were disappointing and warned trading since April *had "not yet reversed the trend* of the second half of last year".

It is the latest UK and US investment bank to post lower results following thin and volatile trading on financial markets in 1994. S. G. Warburg, the UK invastment bank heing taken over by Swiss Bank Corporation, last month reported a fall in profits to £42.1m in 1994 from £297m.

Hambros suffared from the flight to *security* which resulted in a 10 per cent fall in deposits at UK merchant banks between the end of February, when Barings collapsed, and the end of April.

Customer accounts at Hambros ended March at £2bn, 16 per cent down on a year earlier. Deposits by banks rose as Hambros turned to the interbank market for funds. The shift affected *Hambros' cost of funds and its* competitiveness in the lending market against the clearing banks deteriorated. That, and an increase in provisions for bad debts, has prompted Hambros to re-evaluate its banking business.

Hambros said it was commited to lending related to its leading role in the UK government's initiative to stimulate private finance for public projects.

Its positions were hedged against last year's fall in bond markets hnt the cost of premiums *for this insurance had* increased. Profits from dealing bonds and other products fell to £31.7m from £44.6m.

The subdued state of the housing market in the UK held back Hambros' estate agency business, Hambro Countrywide. Losses at the estate agency widened to £6.4bn from £2.0m last year.

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# Outokumpu surges in first term

By Hugh Carnegy in Stockholm

Outokumpu, the Finnish mining and metals group, reported pre-tax profits more than doubled in the first four months of the year to FM789m ($181.73m) from FM304m in the same period last year, mainly because of rising prices for metals in world markets.

The group said demand for metals exceeded supply in early 1995 because of improving economic growth and an associated rise in industrial investment. But its performance was held by back high capacity utilisation, and it warned of a threat to profitability from the recent relative strength of the markka.

Group sales rose 5.4 per cent to FM5.8bn from FM5.5bn. The increase was greater when the effects of divested operations were taken into account – reaching 15 per cent. But most of this was ascribed to higher product price levels as volume growth was squeezed by capacity limitations.

Operating profits jumped to FM762m from FM321m.

Outokumpu said it expected market conditions to remain good throughout 1995. But it warned that capacity ceilings would limit the group's ability to capitalise on high demand until the benefits of an FM3.5bn investment programme came on stream.

It also said the recent weakening of the US dollar and other European competitor currencies against the markka posed a threat to profitability. It said a large portion of the price increases – in dollar terms – in the early part of the year had been eroded by the relative strength of the markka, with the price for zinc falling below 1994 levels in markka terms.

As a result, the base metals division slipped to an operating loss of FM56m from a profit last time of FM13m, on sales barely changed at FM1.24bn. Operating profits in the stainless steel division rose most steeply, to FM638m from FM247m, while profits in the copper products division grew to FM158m from FM79m.

# El Corte Inglés buys Galerias

By Tom Burns in Madrid

El Corte Inglés yesterday consolidated its hold on Spain's retailing sector when, for Pta30bn ($246m), it added the 30 department stores of the troubled Galerias Preciados chain to its own 32 large outlets in the country.

The acquisition was announced by the trade minister, Mr Javier Gómez Navarro, who had invited bids for Galerias after the retail chain applied for protection from its creditors at the end of last year.

Mr Gómez Navarro said El Corte Inglés had made "the best offer from every point of view".

El Corte Inglés said it planned to maintain all the Galerias stores, which would revamped with the Corte Inglés logo. It would also invest Pta50bn to build up the stores business and re-examine all Galerias' contracts with suppliers.

Galerias has had six different owners since the mid-1970s and over the past six years has posted accumulated losses of Pta39bn.

Its sales in the year ending last February were Pta52.7m, a 33 per cent fall from the previous year.

El Corte Inglés said it would rehire 5,200 of Galerias' 7,300 staff and create a further 700 jobs later.

The purchase of Galerias gives El Corte Inglés outlets in 13 more towns.

# Microsoft and Ericsson to develop phone-PC products

By Hugh Carnegy

Microsoft, the world's largest computer software company, and Ericsson, the Swedish telecommunications group, have signed an agreement aimed at developing products for integrating telephone systems and personal computers.

The two companies said yesterday that Microsoft would supply its new Windows NT operating system to Ericsson, which will seek to develop the software within its telephone exchange systems to link computers with telephone services.

No details were given for the value of the agreement or the volume of orders Microsoft will supply to Ericsson. The Swedish company stressed that no new products had yet been developed.

But Microsoft said the agreement was the first of its kind between the company and a telecommunications group. It clearly hopes the agreement will prove an important breakthrough for its Windows NT systems.

Mr Bo Dimert, head of Ericsson Business Networks, said: "For us the co-operation means that we can reach the market more quickly with new and modern solutions. The future office telephone will be integrated with the personal computer.

"Users will communicate with the exchange through the personal computer in a number of ways."

Microsoft said integration of telephones and personal computers was poor in spite of the fact that telephone instruments and PCs stood beside each other on almost 200m office desks around the world.

Mr Dimert said the areas to be covered included using the personal computer as an alternative to the telephone, using it as a picture-phone, the handling of voice and text messages, and the handling of incoming calls.

"Through our co-operation with Microsoft we will create freedom of choice for the user," he said.

# Brazil contract for Lyonnaise

Lyonnaise des Eaux, the French water treatment and engineering group, has won the first contract in Brazil that allows private companies to manage water services, AP-DJ reports from Paris.

Lyonnaise said it signed a contract to manage the water system for Limeira, a city of 250,000 people in the state of São Paulo.

The 30-year contract calls for the company to invest FFr500m ($100m) and aims to bring in annual revenue of FFr100m, the company said. Drinkable water production will increase 25 per cent during the first year of the contract, and 95 per cent of the city's population will have clean water within five years.

Lyonnaise added that it intended to increase its presence in Brazil, where infrastructural and environmental improvements are badly needed.

● Générale Bank and Commerzbank Belgium have signed a FFr500m finance agreement with the Banco Do Brasil, Reuter reports from Brussels.

The agreement aims to help potential Brazilian buyers of exported Belgian goods and services by providing them with the means to finance up to 85 per cent of the price of the contracts, Générale Bank said.

Générale Bank added that the finance would be provided with the support of Belgium's insurance credit organisation, the Office National du Ducroire.

The state-controlled Banco Do Brasil is the biggest bank in Brazil with a network of more than 5,000 branches across the country as well as a branch in Brussels, Générale Bank said.

The agreement was signed during a Belgian economic mission to Brazil led by Mr Robert Urbain, minister for foreign trade and European affairs, Générale Bank added.

# Banca di Roma plans to reshape BNA unit

By Andrew Hill in Milan

Banca di Roma, one of Italy's biggest financial institutions, plans to carry out full-scale restructuring of Banca Nazionale dell'Agricoltura (BNA), the loss-making bank of which it will soon have effective control.

The Rome bank yesterday announced details of its formal bid for the remaining shares in Bonifiche Siele, the quoted company which owns a 43 per cent stake in BNA.

In the prospectus published in Italian newspapers, Banca di Roma said that a wide-ranging programme of restructuring and rationalisation would return BNA – which lost about L633bn ($387m) in 1994 – to break-even "in the space of a few years".

Banca di Roma said it aimed to realise economies of scale and make the most of BNA's strong position as the reference bank for Italy's agro-industry sector. Together, Banca di Roma and BNA will have the biggest directly owned branch network in Italy, including about one-third of all bank branches in the Lazio region around Rome.

In April Banca di Roma completed the acquisition of 53 per cent of Bonifiche Siele's ordinary shares, and 37 per cent of the savings shares.

It is now offering the same price – L36,000 per ordinary share and L7,500 per savings share – for the outstanding shares. The bid will run from June 14 to July 25 and values Bonifiche Siele at just over L1,000bn.

The offer had the blessing of the Bank of Italy, which had been discreetly looking for a buyer for BNA, but attracted criticism from minority BNA shareholders who said Banca di Roma should have mounted a full offer for the bank, not just for Bonifiche Siele. More than 30 per cent of Banca di Roma is still controlled directly or indirectly by IRI, the Italian state holding company.

Bonifiche Siele could eventually be merged into Banca di Roma, the bank said in the offer prospectus.

# Outsider sees door opening to France's blue-chip club

## Suez alliance could also help to cut Pinault's debt, says Andrew Jack


François Pinault: deal could give access to cash

Any alliance between Suez and Pinault Printemps Redoute would mark one of the most remarkable links between the ultimate insider and the extreme outsider of the French establishment.

Suez is one of the country's flagship institutions with historical roots in its construction of the Suez canal; Mr François Pinault has taken the fast-track to rise from a humble background to become one of France's richest men and to lead of one of its largest and fastest-growing quoted companies.

In a highly atypical career for the head of a large French company, Mr Pinault, 58, has none of the normal establishment trappings that characterise senior business executives. He did not work in the country's civil service, attend its elite training college, or even start any form of higher education.

He was born the son of a forester in a Brittany village near Saint Malo in 1936, and left school at 16 to work for his father before starting his own company, Pinault, in 1963, with a loan of FFr100,000.

Through a succession of acquisitions and sales, he built up the basis of today's Pinault Printemps Redoute, a retail group which includes La Redoute, France's largest mail order company, Printemps and Prisunic, the shopping chains, and Fnac, the books and records high street outlets.

In its 1994 results, the group reported profits doubled to FFr1.2bn ($241m) on a turnover of FFr70.8bn. But that growth did not come without a price. Group borrowings stood at FFr12.06bn. "He came from nowhere and managed to collect assets ... along with lots of debts," one analyst said yesterday.

Within the last two years, Mr Pinault appears nevertheless to have developed satisfactory relations with his bankers and secured the future of the group with continued purchases. But a merger with Suez could provide access to considerable additional cash to help reduce his debt burden.

Mr Pinault's background and his image have always given him the reputation as an outsider. That has begun to change, most notably with the election as president of France last month of Mr Jacques Chirac, who is said to be a close friend. Proof came on election night, when Mrs Bernardette Chirac, France's new first lady, was dropped off at Mr Pinault's Paris house for dinner.

Nevertheless, a connection with Suez would also give him the chance – just as important as any financial benefit – to become far more an insider of the business world, with links both to the group and to its blue-chip shareholders such as Banque Nationale de Paris, Elf Aquitaine, Unions des Assurances de Paris and Lyonnaise des Eaux.

Today Mr Pinault is estimated to be worth about FFr13bn, largely as the result of his personal shareholdings in his companies. While obtaining precise details is difficult, the Pinault family – through a company called Financière Pinault – controls the largest stake in Pinault Printemps.

Financière Pinault owns three-quarters of Artemis, the remainder of which is controlled by Altus, the high-risk arm of Crédit Lyonnais which is now being sold off as part of a rescue package for the bank agreed with the state.

Artemis owns 40.22 per cent of Pinault Printemps Redoute, but controls 52 per cent of the voting rights over the company. It is this vehicle which Suez could use to take eventual control of the retailer.

Artemis also controls Château Latour, the renowned French vineyards, as well as a portfolio of investments in the US largely in junk bonds with an estimated value of FFr3.5bn.

# French bourse opens CMB probe

By John Ridding in Paris

The Commission des Opérations de Bourse, the French stock market watchdog, said yesterday that it had opened an investigation into trading in shares of CarnaudMetalbox, the Anglo-French packaging group to be bought by Crown Cork & Seal of the US.

COB officials declined to give details of the inquiry, but it is expected to focus on abnormal trading volumes and movements in CMB's share price before last month's US$5.2bn merger deal. The merger, expected to be made final this year, will create the world's largest packaging company with annual sales of about US$10bn.

Officials indicated that the probe was more likely to take months rather than weeks.

# Cott opens year with return to profitability

By Robert Gibbens in Montreal

Cott, the Canadian private-label soft drinks bottler, returned to profitability in the first quarter of fiscal 1996, as solid gains in US and international business offset lower case sales in Canada.

Net profit for the three months ended April 29 was C$9.8m (US$7.1m), or 16 cents a share, under Canadian accounting rules, up 2 per cent from C$9.6m a year earlier. Revenues rose 29 per cent to C$287m from C$223m, due to higher case sales (up 13 per cent to 50.4m) and higher selling prices.

The gains were achieved in spite of weak markets in North America, and retail inventory building in advance of February price increases in response to soaring packaging costs.

For the fourth quarter of fiscal 1995 (ended January 28), Cott posted a loss of C$607,000, or 1 cent a share, against a profit of C$9.1m, or 15 cents, a year earlier on sales of C$277m against C$168m. For 1995 as a whole, profit was C$34.8m, or 58 cents, against C$35.4m, or 62 cants, on sales of C$1.1bn against C$685m.

In the latest quarter, growth margins recovered to 16.2 per cent with the February price increases. Selling expenses rose slightly to 8.3 per cent of sales, but will decline through the year as Cott has installed cost improvement programmes. Interest and amortisation rose, due to growth of the business and higher term debt.

Cott recently acquired 49 per cent of Benjamin Shaw (Pontefract) from Rutland Trust for C$9.4m cash.

It is also raising US$100m with a 10-year note issue. The proceeds will go mostly for debt reduction. At January 28, bank debt was C$24m and term debt C$106m.

Cott stock eased to C$15.25 after the first-quarter results were released, compared with a 52-week high is C$31.25. The company is facing fierce competition in North America as rivals attempt to regain market share lost to Cott over the past five years.

# US insurer sells mortgage unit

By Richard Waters

Metropolitan Life, the US insurance group, yasterday announced the first part of its withdrawal from the residential sales and mortgage businesses with an agreement to sell Century 21, which has 6,000 sales offices around the world.

The insurer said it had also had talks abont selling its mortgage business, Metmor Financial, though no agreement had yet been reached.

Like its bigger rival, Prudential Insurance, New York-based Met Life moved into the residential lending and sales businesses in the mid-1980s as a part of a plan to become a hroadly diversified financial sarvices gronp. Faced with poor results and fierce competition from specialist, low-cost mortgage lenders, as well as a failure to cross-sell insurance and other products to home-buyers, both companies have since signalled a withdrawal.

Century 21 is a franchise operation with offices located mainly in North America, though its overseas network extends to Japan, Hong Kong, France, Belgium and the UK. The business, which had revenues last year of $130m, is to be bought by Hospitality Franchise Systems, the world's largest hotel franchise company. Hospitality has the rights to such well-known US names as Days Inn, Howard Johnson 3nd Ramada Inn.

Hospitality is to pay Met Life $200m, with a further $30m dependent on the level of home sales in the next two years. Met Life said the sale was part of a plan to shed non-core businesses to concentrate on a smaller range of products.

# KKR buys part of Reliance Electric

By Tony Jackson in New York

Kohlberg Kravis Roberts, the US buy-out specialist, is to acquire the telecoms business of Reliance Electric in a deal worth $475m.

The business had been put up for sale by Reliance's new owner, Rockwell International, which bought the company in a $1.6bn bid battla last year.

The telecoms snbsidiary, Comm/Tec, will be run by existing management, who will be equity partners in the deal.

KKR will put up $250m of the purchase price, with $175m counting as eqnity. The remainder will be provided as bank finance by Chase Manhattan.

Part of the borrowings will be repaid through a $100m bond issue after the deal has been closed, KKR said.

With sales last year of $458m, Comm/Tec makes up around a third of Reliance's group sales. With 3,600 employees, it provides equipment and services to local telephone companies, such as the Baby Bells.

Rockwell, a diversified company with interests ranging from defence to car components, said its interest in telecoms was focused on providing modems for personal computers and fax machines.

At the time it acquired Reliance, it made clear that its chief interest was in Reliance's controls business, which it has combined with its own Allen-Bradley controls division to create an industrial antomation business with world sales of around $3.5bn.

● Rockwell also said it had bought 100 per cent of Allen-Bradley India, in which it previously held 39 per cent. Terms of the deal were not disclosed.

# Kearney, EDS spell out global ambitions

By Maggie Urry in New York

The merger of the consulting business of EDS, a subsidiary of General Motors, and Kearney, the management consultant, would "create a new paradigm for the industry", Mr Gary Fernandes, senior vice-president of EDS, said yesterday.

Mr Fernandes will chair the new consultancy, which will be a wholly-owned EDS subsidiary. He said the management consultancy would cover the globe, virtually every industry and consulting discipline, and would combine the implementing capabilities of EDS' information technology side.

Mr Fred Steingraber, cbief executive of Kearney who will continne that role in the merged unit, said the deal would "probably redefine the management consulting industry". It would be unique in offering the combination of advice in tbe strategic, operations and IT areas.

The two were elaborating oo the $600m deal which was announced after Wall Street closed on Tuesday.

Mr Fernandes said the acquisition of Kearney would accelerate EDS' strategy of building a global consulting business. EDS set up its consulting side only two years ago as an extension of its systems business. He said a high perceotage of the gronp's consulting work led to opportunities for the systems side.

Mr Fernandes said the purchase would cause some minimal dilution to EDS' earnings per share in 1995, would be neutral to slightly positive to earnings in 1996, and would add to earnings thereafter. Although EDS is a subsidiary of General Motors, a separate class of GM's shares tracks EDS' business. These shares rose $⅝ to $42⅞ in morning trading yesterday.

The integration of the two businesses is expected to be largely complete by the end of 1995. The merged consulting activity will keep the Kearney name and will be based in Chicago, Kearney's bome town.

Mr Fernandes said be did not expect any job losses.

# Ford lowers production forecast

By Richard Waters in New York

Ford Motor cnt its North American productioo forecast for the third quarter of the year, a further indication that unsold cars and light trucks are huilding up on dealers' forecourts.

The company said it planned to build 884,000 vehicles in the US and Canada during the period, compared with 966,000 in the same period in 1994. The decline also reflects model change-overs as the company launcbes a new Taurus, its best-selling car, aod new pick-up trucks.

Weaker-than-expected sales at Ford, as at other US manufacturers, led to a steady growth in inventory levels in the early months of this year.

The Big Three US manufacturers "produced in the first quarter, and continue to produce in the second quarter, as if sales were strong", said Mr George Magliano, an automotive industry analyst at Wefa. "They pretty mucb held to their production schedules in April and May."

At the beginning of May, Ford had 90 days' supply of cars on hand, in part due to slow demand for its new Contour sedan, of which production has already been scaled back.

The company projected a 16.5 per cent fall in third-quarter car production, due in large part to the change-over of the Taurus.

Chrysler, the smallest of the Big Three, has moved the fastest to scale back production to reduce inventory levels, said Mr Nick Lobocarro, an analyst at S.G. Warburg in New York. At 66 days for cars and 56 for light trucks, that has brought the company's inventory levels down to more sustainable levels, he said.

According to Wefa, the total number of vehicles produced in North America in the third quarter will reach 3.3m, an increase of 3 per cent from a year before. However, this is slower than the rate of capacity increase in the auto industry over the period, said Mr Magliano.

● Chrysler seeks to grow 20 per cent annually in the European vehicle market in the coming years, said Mr François Castaing, vice president of vehicle engineering at Chrysler Corp, Renter reports from Paris.

He said Chrysler sales in Europe grew 20 per cent last year and the year before, and be expected the same growth this year. Chrysler makes minivans and Jeep Cherokees in Graz, Austria, for international markets.

# Inco in talks on Voisey Bay

By Bernard Simon in Toronto

Inco, the western world's biggest nickel producer, has confirmed that it is at an advanced stage of talks to acquire a stake in the rich Voisey Bay nickel, copper and cobalt deposit on the east coast of Labrador.

The deposit is currently owned by Diamond Fields Resources, a Vancouver-based exploration company. Diamond Fields has been seeking a partner with the mining and marketing expertise and financial muscle to bring the deposit to production.

Mining experts believe Voisey Bay is one of the richest base-metal discoveries in North America for several decades. It is expected to produce between 60m lbs and 100m lbs of nickel a year, equal to between 4 per cent and 6 per cent of 1994 western demand of 1.62bn lbs.

Diamond Fields and Inco declined to provide further details of their negotiations.

Based on drilling results to date, Voisey Bay would significantly lower Inco's average production costs, and help fulfil its wish to expand its presence in copper.

Conversely, Inco's leverage in the nickel market would be weakened if a rival were to lay its hands on a large, low-cost deposit such as Voisey Bay.

Encouraging drill results and speculation about a deal with an outside shareholder bave sent Diamond Fields' shares soaring.

Trading at C$4 on the Toronto stock exchange wben the discovery was announced last November, the shares reached a record C$80 before closing down C$3 at C$77 yesterday, putting a stock market valuation on the company of almost C$1.9bo (US$1.4bo).

Teck, the Vancouver metals group, paid C$36 a share in April for a 10 per cent stake in the company.

Diamond Fields is controlled by Mr Robert Friedland, an entrepreneur whose career has included gold ventures in the western US and Venezuela.

# First gas power plant for Chile

By Imogen Mark in Santiago

The contract for Chile's first combined-cycle gas power plant, awarded last Friday to General Electric Power Systems of the US, marks a firm commitment by Chile to import natural gas from Argentina.

The $205m plant, which will be built at Renca on the outskirts of Santiago and will generate 370MW, is likely to be fed by a pipeline bringing gas over the Andes from Mendoza, the nearest point in the Argentine gas distribution network.

Gas Andes, the $300m project to build the pipeline, involves most of the same partners as the majority owners of the plant: Chilgener, a local generator; Duke Power of the US; Novacorp, the Canadian gas company; and Gasco, a local gas distributor.

The pipeline has to be ready by 1997, when the future gas plant must be ready to go into commission to meet stricter pollution controls for Santiago.

An alternative pipeline project headed by Tenneco, the US engineering company, with British Gas, YPF, the Argentine oil and gas company, and Enarsis, the biggest local power company, seems unlikely to go ahead.

Their scheme was to bring the gas direct from source, with a pipeline from the Neuquen gasfields in southern Argentina across to southern Chile, near Concepcion and then up to Santiago. However, the main demand for gas is in the Santiago region, which makes the Gas Andes project cheaper to build and easier to finance.

If the smaller project goes ahead, as is now expected, Chilgener will become a much more direct rival to Enersis, which until now has been by far the largest force in the energy business, with 2,500MW of generating capacity.

# BioChem Pharma makes solid progress

By Robert Gibbens

BioChem Pharma, partner of Glaxo Wellcome of the UK in developing anti-Aids and hepatitis B drugs, is within reach of becoming a profitabla integrated bio-pharmaceutical group, Dr Francesco Bellini, president, told the annual meeting yesterday.

The Canadian gronp's 3TC Aids drug and lamivudine hepatitis drug are approaching commercialisation as Glaxo Wellcome completes international regulatory filings, be said. Commercial introduction of 3TC is due by year-end. Lamivudine is a big breakthrough and BioChem also has a pain control drug, being developed with Astra of Sweden, at the pre-clinical stage.

The acquisition last year of the diagnostics division of Ares-Serono of Switzerland gave BioChem's diagnostics an international presence, with products sold in 40 countries.

"We aim at the medium-sized laboratory market," said Dr Bellini, "and we're developing the next generation of automated analysers." The diagnostics unit should have sales of C$160m (US$116m) in 1995 and will be profitable, he added.

For the 11 months ended December, BioChem had revenues of C$110m and operating profit of C$2.6m. Research outlays were C$16m. Total 1995 revenues are expected to rise 60 per cent to C$180m.

# NBC Asia lures top TVB executive

By Simon Holberton in Hong Kong

The battle for Asia's television viewers beated up yesterday when NBC Asia said it had recruited Mr Shing-kwong Fung, general manager of Television Broadcaets, Hong Kong's leading television company, to bead its Asian operations.

Mr Fung, wbo oversaw TVB'e move into satellite televieion, will have overall responsibility for the management and strategic direction of NBC's programming services in Asia. His appointment becomes effective in August.

Later this month, NBC plans to begin broadcasting an Asian business news service, CNBC Asia, making it the first to produce live business news on three continents. This will be followed later this year with the launch of NBC Super Channel Asia, a general programme service.

Mr Bob Wright, president and chief executive officer of NBC, said Mr Fung was one of Asia's most influential and well-respected television executives. "His unique combination of superior business skills and intimate knowledge of the complexities of the Asian television marketplace will provide valuable strategic leadership," he said.

Sir Run Run Shaw, chairman of TVB, said thet the company was sorry to lose Mr Fung'e services.

Pan-Asian broadcasting is dominated by Mr Rupert Murdoch's Star Television network. It has recently added satellite radio to its services and is competing with MTV, Viacom's music television company, for young Asian viewers.

In the business news sector, CNBC will be in competition with Asia Business News, a Singapore-based broadcaster, owned equally by financial media services group Dow Jones, TV New Zealand, and TCI, the US cable operator. It is used, in part, as a vehicle for the promotion of Dow Jones' two main print media assets in the region – the Asian Wall Street Journal and the Far Eastern Economic Review.

CNBC Asia will broadcast more than 11 hours of live Asian business news produced by its bureaux in Hong Kong and other financial markets. It will also take business news from CNBC in the US and the European Money Wheel on NBC Super Channel in Europe.

● News Corporation's Star TV says it will launch a music channel, Channel V Asia, on the Palapa B2P satellite on June 11, Reuter reports from Hong Kong.

Channel V Asia will provide specialised blocks of programming to countries in south-east Asia, spliced with international programming.

# Boral considers sale of elevator interests

By Nikki Tait in Sydney

Boral, the Australian building materials and energy group, is considering the sale of its elevator and building technology operations. The group said yesterday it was "reviewing" the businesses, and was looking at either a sale or joint venture arrangement.

It said that it had called in Macquarie Corporate Finance, part of the Sydney-based investment bank, to help handle the process.

Mr Tony Berg, Boral managing director, said in a statement to the Australian Stock Exchange thet the reassessment followed a "a number of approaches to Boral from major elevator groups".

He said that Boral had decided that the businesses could be "further enhanced by having access to a global competitor".

Since taking over at Boral about 18 months ago, Mr Berg has tanded to stress the group's desire to concentrate on businesses in which it leads the market. There have been a number of madium-sized divestments and acquisitions over this period.

The elevator businesses were acquired by Boral in 1986, and have their headquarters in Cheltenham, Melbourne, where the manufacturing facilities are also based.

Annual salee are about A$120m (US$86.43m). According to the 1994 annual report, the elevator interests recorded a "small improvement" in profit in 1993-94, with exports increasing amid some divisional restructuring.

# Qantas, Air Pacific reach new accord

By Nikki Tait

Qantas, the government-controlled Australian carrier which is limbering up for privatisation, yesterday announced it had reached a new joint agreement with Air Pacific, tha Fijian carrier which is 10 per cent-owned by Qantas and has code-share arrangements with the Australian carrier.

Qantas will stop flying its two weekly Sydney-Nadi-Los Angeles services, and fly directly from Sydney to the US city instead. Air Pacific will also operate all six weekly return flights between Sydney and Nadi, taking over two frequencies previously operated by Qantas, and add a second weekly flight between Nadi and Los Angeles.

Qantas, bowever, will introduce a weekly return service between Melbourne and Nadi, with Air Pacific operating a second weekly flight on the same route. Tha Australian carrier will also market 50 per cent of the seats operated between Los Angeles and Nadi, and increase the proportion of seats marketed under the code-share arrangements covering operations between Australia and Fiji. New schedules will start to come into effect from late October.

Qantas, which is expected to release its etock market prospectus in two weeks, has been reorganising services on its Pacific routes over the past 18 months in an effort to improve profitability.

The task has been made easier by the decision of some US carriers to pull out of this market.





# Swiss drugs group suffers setback

By Ian Rodger

Ares-Serono, the Geneva-based biotechnology drugs group, has reported another sharp fall in profits in the first quarter of 1995.

Net income tumbled 60 per cent to $5.5m, in spite of a 4.4 per cent rise in sales to $153m.

The group, which develops hormones for etimulating human fertility and beta interferon based drugs for multiple sclerosis and other diseases, said operating income dropped by one third to $15.2m, reflecting a 3.2 per cent fall in gross margins and a 5.7 per cent rise in research and development spending.

Pretax profit dropped 58 per cent to $7.9m.

Ares said supply problems, whicb eeriously depressed fourth-quarter 1994 results, persisted in the first quarter. It reiterated a forecast made in March that full production would be resumed in the second half.

Shortages of infertility products hit particularly hard in North America, where sales were down 18.7 per cent.

Sales in Europe grew 15.4 per cent in tbe first quarter, while sales in Latin America were down 10.8 per cent because of the financial crisis in Mexico.

## NEWS DIGEST

# Heavy research spending holds Huhtamaki back

Huhtamaki, the Finnish consumer products group, saw profits fall 28.5 per cent in the first four months, partly because of heavy spending on product launches and pharmaceuticals research, writes Christopher Brown-Humes in Stockholm.

The figures also reflected the stronger markka, which has risen by 24 per cent against the dollar during the last year.

Profits after financial items dropped to FM80m ($18.4m) from FM112m, as sales fell 5 per cent to FM2.6bn from FM2.7bn. At constant exchange rates, sales were 8 per cent higher.

The downturn was felt most keenly by the company'e Leiras pharmaceuticals division, where profits dropped and sales fell 11 per cent to FM275m. This reflected high R & D and marketing expenses, and low sales of contraceptive implants.

Leaf, the confectionery unit which is Huhtamaki's biggest business sector, saw sales fall 7 per cent to FM1.47bn, but profits rose in spite of high marketing outlays. Comparable sales rose 9 per cent in Europe and 6 per cent in North America, even though the North American baseball cards market, an important source of profit and revenue, remained stagnant.

Mr Timo Peltola, chief executive, said the interim performance was in line with expectations and did not alter the group's forecast of improved pre-tax profits and higher earnings per share for the full-year.

Improved demand and higher packaging prices are expected to bring improved sales and earnings. Last year, profits totalled FM442m and earnings per share were FM12.16.

# Optus says flotation is still on agenda

Optus Communications, Australia's second telecommunications carrier set up to compete with the government-owned Telstra group, said yesterday that e stock market flotation of its shares was still on the agenda, in spite of the federal government's rejection of an initial corporate restructuring proposal, writes Nikki Tait.

The rejection, confirmed by the treasurer's office, was made on the grounds that it was "inconsistent with foreign investment policy for Optus, that being, the majority of Optus is Australian-owned". However, e revised proposal could still be considered.

Optus is owned by e number of corporate and institutional investors, including BellSouth of the US and Cable & Wireless of the UK. However, control has remained in Australian hands.

The company has talked of a stock market float for several years, although timing has remained vague. Optus recently ruled out coming to the market as early as mid-1995, a widely-suggested date, but said that a float before the end of 1996 was still a possibility.

# MIM to sell methane interest to Conoco

MIM, the Queensland-based mining group, is to sign over its main coalbed methane interest to Conoco Australia, part of the US oil group, for A$22.4m (US$16.2m), writes Nikki Tait. The two companies are equal partners in an exploration and production testing joint venture in the Bowen Basin, in Queensland.

Mr Nick Stump, MIM's chief executive, said the interest "did not fit strategically with the future direction of MIM".

However, he edded that good technical progress had been made in the field. MIM would continue to pursue gas exploration interests in south-west Queensland, he added, since these had potential direct relevance to Mount Isa, the mining town in the centre of the state where MIM has large operations.

# Macquarie Bank plans 1-for-17 bonus issue

Macquarie Bank, the Sydney-based investment bank, is to make a bonus issue of one new share for every 17 held to shareholders, writes Nikki Tait.

The bank is owned by a mixture of institutions and employees, with UK'e Hill Samuel being the biggest single shareholder. The bank confirmed recently that it plans to list on the Australian Stock Exchange in the latter half of 1996.

# Nigerian brewer posts solid gains in year

Nigerian Breweries has posted a profit after tax of 1.37bn naira ($39m) for 1994, up from 948.07m naira in 1993, Reuter reports from Lagos. The company said turnover in 1994 increased to 7.14bn naira from 4.99bn naira a year earlier.

The Business Times weekly said after-tax profit in 1994 was the highest ever attained by a company in Nigeria, in spite of the decline in Nigeria's beer consumption since 1983.

Dutch brewer Heineken has a 13.5 per cent stake in Nigerian Breweries. The remainder of the shares are in Nigerian hands.

# Chairman of Usinor Sacilor reconfirmed

Mr Francis Mer (left) was yesterday reconfirmed as chairman of Usinor Sacilor and will guide the French steel group through its privatisation over the next few weeks, a government spokesman said yesterday, writes John Ridding in Paris. Although the French government occasionally replaces public sector company heads, the renewal of Mr Mer's mandate as chairman was considered a formality. He has held the post since 1986, guiding the French steel producer back to profit and preparing it for privatisation.

The sale of the company, in which the French state holds a direct 80 per cent stake, is due to be completed by the first week in July. Mr Mer will shortly start a series of presentations to international investors ahead of the launch of the privatisation issue.

The government is expected to reduce its stake to ebout 8 per cent, while a group of long-term investors will hold a combined 15 per cent of Usinor's shares. These investors are likely to include Crédit Lyonnais, the loss-making state-owned bank, which is expected to cut its stake in Usinor from 20 per cent to about 3 per cent.

# Record earnings for Newbridge Networks

Newbridge Networks, a leading Canadian producer of private and telephone company network products, posted record net profit of C$188.3m (US$137m), or C$2.31 a share, for the year ended April 30, up from C$157.8m, or C$1.98, a year earlier, on revenues of C$800m, up 46 per cent, writes Robert Gibbens in Montreal.

Fourth-quarter profit was C$51.8m, on revenues of C$228m, against C$47.3m, on revenues of C$164m. Research spending rose to C$66m from C$39m.

Mr Terence Matthews, chairman, said revenues would continue to grow in fiscal 1996 with expanded product lines and growing international business.

# Gandalf Technologies sees further growth

Gandalf Technologies, an Ottawa-based international software group, is emerging from two years of heavy restructuring and sees growth in fiscal 1996, writes Robert Gibbens.

Gandalf posted net profit of C$1.6m, (US$1.1m), or 5 cents a share, including a C$2m special gain, for the year ended March 31, against a loss of C$47.2m, or C$2.27, a year earlier, including special charges.

Revenues were C$120m in fiscal 1995, down 8 per cent.

Gandalf stock has almost quadrupled to C$8 this year, partly because the company signed a marketing alliance in March with Bell Atlantic, the Philadelphia communications concern.

Gandalf specialises in equipment transmitting data, voice and video from branch offices to central computer networks.

# Japanese airline aims to resume payout soon

By Gerard Baker in Tokyo

Japan Airlines (JAL) is eager to resume dividend payments as soon as possible, the company's president said yesterday.

Mr Matsuo Toshimitsu said tha Japanese flag-carrier's efforts to reduce costs and increase sales were beginning to bear fruit.

"We would like to return to paying dividends as soon as possible through restructuring and measures to increase sales," Mr Toshimitsu said.

However, he would not specify when he thought the company would be able to resume such payments.

Business conditions were improving, but remained difficult, Mr Toshimitsu said. Four-fifths of JAL's demand comes from tourist business, and it was important for the company to find ways of improving profits in that area.

JAL suspended dividend payments in 1993 when the recession forced it into losses at the pre-tax level.

Since then, its losses have mounted. However, last week it announced that in the year to March it had achieved a pretax profit of Y2.82bn ($32.8m), although it said it was still unable to pay a dividend.

The company's restructuring programme is aimed at reducing staff levels by more than 20 per cent in the five years to 1998, a target JAL says it is well on the way to reaching.

# OMV ahead sharply in first quarter

By Ian Rodger in Zurich

OMV, the Austrian integrated oil, gas and chemicals group, said its pretax profit jumped to Sch950m ($812m) from Sch190m in the first quarter, in line with the further substantial recovery it has forecast for this year.

Turnover climbed 18 per cent to Sch19bn, reflecting strong increases in petrochemical prices and the expansion of the group'e retail marketing network. Operating profit soared to Scb1.08bn from Sch320m.

Tbe refining and plastics divisions showed the greatest profit improvements. Operating profit in the refining division jumped to Sch460m from Sch130m, mainly because of improved markets for petrochemicals. Margins on petroleum products remained unsatisfactory.

The plastics division rebounded from a loss of Sch140m to a profit of Sch240m on sales up 38 per cent to Sch2.5bn. OMV said margins were maintained in spite of feedstock price increases. Market conditions improved and costs were cut.

The chemicals division trebied operating income to Scb120m, belped by stable markets and restructuring. Turnover in the gas division rose 7 per cent to Sch2.51bn, wbile operating profit eased 8.6 per cent to Sch430m.

# Metro Pacific causes stir in property world

## Doubts remain over wisdom of Philippine group's latest purchase, writes Edward Luce

Metro Pacific, the Philippine arm of First Pacific, the diversified Hong Kong-based group, is in danger of upstaging its powerful parent.

It stole the show earlier this year when it entered the country's biggest property development deal, agreeing to pay 39bn pesos ($1.5bn) for 214 hectares of prime real estate in Manila's historic Fort Bonifacio area.

The former Philippine military base is being developed to complement Makati, the capital'e established financial district.

The bandover of the first cheque, for 19.5bn pesos, unleashed a controversy in the Philippine business community which has yet to subside.

Ayala Land, which owns the bulk of Makati and is the Philippines' oldest real estate company, bid 24,388 pesos per sq m for Fort Bonifacio, calculating that the relative newcomers at the Metro-led consortium could not afford to risk a higher price.

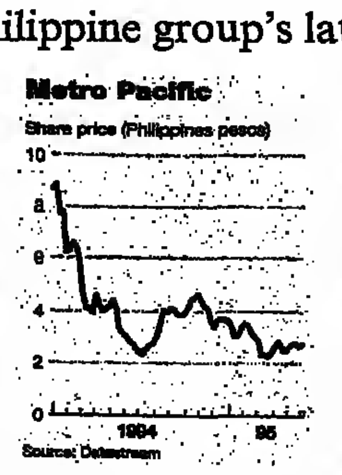
In the event, Metro bid 33,283 pesos, prompting speculation that the 19-member consortium, whicb includes Kuok Properties of Malaysia and Land and Houses Public of Thailand, had allowed the prestige of acquiring the prime location to impair its financial judgment. Metro'e sbares, which were trading at 10 pesos in late 1993, have plummeted to 2.75 pesos, amid mounting doubts about the consortium'e ability to meet the second half of the 39bn peso payment, due in February 1996.

Since then, Metro, which last week ewarded the contract to manage the US$7.3bn Bonifacio project to Bovis, the UK construction company, has suffered from further market scepticism after it said it would borrow 2bn pesos to cover its share of the second instalment.

Analysts say Metro's need for heavy borrowing over the next five years to develop the site into a modern business centre, with residential, commercial and recreational facilities, will depress its share price for the foreseeable future.

"While Bonifacio has tremendous potential as a location it has an awfully long way to go before it has proven itself as e viable location," says Mr Matthew Sutherland of Asia Equity Securities. "It could be the deal of the century but it could equally turn out to be the most colossal white elephant."

The management at Metro, drafted in from First Pacific in 1992 to restore Metro's ailing fortunes, had, until the Fort Bonifacio bid in January, won nothing but praise for the company's turnround. The 48 per cent rise in net profits for 1994, to 633m pesos, was seen to have vindicated Metro's strategy of acquiring only the leading brands in the markets it chose to enter.



Source: Datastream

The decision last year to buy e 75 per cent etake in the Philippine Cocoa Corporation, which makes the country's leading confectionery brands, and to expand the holdings of its Steniel division, the leading producer of corrugated carton boxes in the Philippines, added to Metro'e reputation for buying only the best.

The 40 per cent cootrolling stake in Smart Communications, a joint venture with National Telegraph and Telephone of Japan and considered the most likely group to challenge the dominant Philippine Long Distance Telephone Company, was also seen as a shrewd investment.

Equally, the success of brands such as Eskinol, which has a 63 per cent share of the Philippine skin care market, and Block and White, tha controversial but popular skin whitener, produced by the Metro eubsidiary, Metrolab, strengthened Metro'e image.

Indeed, its policy of bunting out market-leading brands was likened to First Pacific's successful acquisition strategy in Hong Kong.

"We did not deliberately set out to follow First Pacific's path," says Mr Ricardo Pascua, president of Metro Pacific and one of the founders of First Pacific when it was formed in 1981.

"Bnt the pattern is very similar. Like First Pacific, we have focused on distribution, pharmaceuticals, telecommunications and now real estate," he says.

Nevertheless, Metro's dream of turning Bonifacio into a "showcase for modern integrated urban development" is expected to be a growing drain on the company's other concerns as the interest on loans to develop the site mounts over the next five years.

In addition, the development of competitor sites, such as local property developer Fil Invest's 244 hectare Corporate City in Alabang, Manila, as well as Ayala's real estate schemes, has put a question mark over Metro's prediction of continuing strong demand for property at the turn of the century.

"Metro's high bid for Bonifacio was a massive vote of confidence in the Philippine economy," says Mr Sutherland. "For Metro to make money on Bonifacio the economy is going to have to do very well."

Estimating the break-even point for developed space at 76,000 pesos per sq m, Metro says the potential for high returns at Bonifacio over the next 15 to 20 years are exciting when prices of 150,000 to 200,000 pesos in neighbouring Makati are taken into account.

The fact that Fort Bonifacio borders Forbes Park, the city's most upmarket residential zone of Edsa, Manila's main thoroughfare, and is close to the airport, means that the project could eventually yield rich rewards if Metro emerges from its short-term borrowing requirements intact.

Until then, however, doubters will continue to question the wisdom of initialling that 19.5bn peso cheque.


CANDOVER
WHO ARE THE BUYOUT SPECIALISTS?

## COMPANY NEWS: UK

# Granada to develop more TV channels

By Raymond Snoddy

Granada, the leisure and rental group, is developing low-cost television channels to exploit the company's production capacity. The government's decision not to increase the number of licences an ITV company can hold prevents Granada owning any more broadcasting licences.

Mr Gerry Robinson, chief executive, said he was seriously considering new Granada channels as he reported a 50 per cent increase in pre-tax profits to £154.5m ($242m) for the six months to the end of April.

Mr Robinson, who is also chairman of British Sky Broadcasting, the satellite TV venture, said Granada "was better placed than any other commercial operator" to take advantage of the planned 200 digital television channels likely to become available on satellite.

Granada is looking at possibilities ranging from a programme library channel to soap opera and children's channels.

Television has become Granada's largest activity accounting for 35 per cent of operating profit. Profits before tax and interest from television more than doubled to £72m.

"There has been a quite fundamental change in Granada now compared with three or four years ago," said Mr Robinson. He said 70 per cent of profits were coming from the two fastest growing areas in the leisure sector – television and contract catering.

Because of the government block on extending television ownership, Granada's main opportunity to expand by acquisition lies in contract catering.

Mr Robinson said that talks with Accor, the French hotel and catering group, over its catering business were continuing although he put the chances of an acquisition or joint venture at "no more than 50 per cent".

If such a deal came through Granada might sell a small part of its stake in BSkyB – now worth £450m – to help pay for the acquisition.

Granada also reaffirmed its commitment to rental. Its market share was increasing and the acquisition of DVR, which specialises in direct rental of TVs and videos, promised real growth.

Pre-tax profits of about £330m are expected for the full year.

# Lloyds Bank joins contest to buy N&P

By Patrick Harverson

Lloyds Bank has expressed an interest in acquiring National & Provincial, the Yorkshire-based building society which is considering bid proposals from several banks and rival building societies.

Although both Lloyds and N&P declined to comment yesterday, sources close to Lloyds indicated that the bank had made its first approach to N&P in mid-May. At the time, the society had received formal takeover and merger offers from Abbey National, the home loans and banking group, and at least two other bidders – reportedly the Alliance & Leicester and Nationwide building societies.

Since then, Lloyds is believed to have reinforced its interest in N&P, but not to the point where it has made an all-out bid comparable to Abbey National's offer of £1.1bn.

Observers of the contest for N&P were surprised by the news that Lloyds had become involved. The bank is about to complete the £1.8bn acquisition of the Cheltenham & Gloucester building society, and analysts questioned whether Lloyds could afford to buy another society without the need for a rights issue.

Bank insiders, however, suggested Lloyds was performing well enough for it to finance any acquisition of N&P with cash from retained earnings, particularly if the takeover was consummated at the end of this year or early in 1996.

One analyst, however, calculated that if Lloyds paid slightly more than £1.1bn for N&P, this – combined with the purchase of Cheltenham & Gloucester – would drive the bank's tier-one capital ratio down from its present level of 6.6 per cent to about 5 per cent, well below the sector average. "It is a level they would probably regard as too low," said the analyst.

Others questioned whether Lloyds' interest in N&P was serious.

"Lloyds is just muddying the waters," said one analyst. "It's gamesmanship," commented another, adding: "Lloyds would like to make sure that whoever gets N&P pays the highest possible price, so that one of Lloyds' competitors in the mortgage market is financially weakened as much as possible."

Nine days ago N&P gave bidders another fortnight to finalise their offers, so it is unlikely to make any decision or recommendation to members until the end of June at the earliest.

See Lex

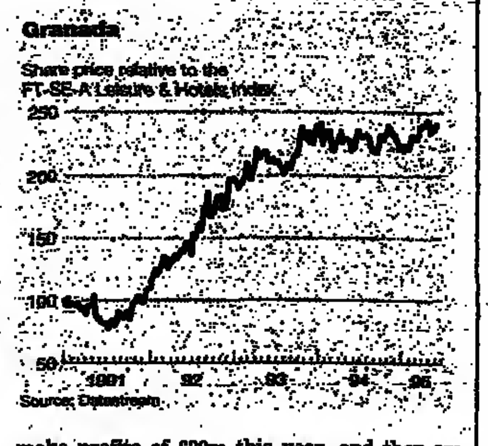
## LEX COMMENT

# Granada

The problem with a successful record for acquisitions is that investors invariably demand more. The highlight of impressive profit figures from Granada was the improved operating performance from its comparatively recent purchases, LWT and Sutcliffe. LWT reported like-for-like profits growth of 22 per cent; while contract catering arm Sutcliffe achieved profit margins of 9 per cent, against 4 per cent when it was acquired in 1993.

With interest cover of 10 times, £150m of annual operating free cash flow after dividends, and a £450m stake in BSkyB, Granada has substantial fire-power. But there is little to fire at. The government's new cross-media ownership rules bar Granada from buying a third television franchise, namely Yorkshire Tyne-Tees. And there are no more large UK contract caterers available. It would gladly buy Accor's French contract catering or motorway service station businesses, but Accor is vacillating over whether to sell. So investors may have to rely on organic growth.

This should not cause concern. It may be an old story, but Granada is boosting revenues from its existing programme-making facilities and back catalogue. Programme sales should make profits of £80m this year, and they are growing fast. Satellite and cable television provide an expanding market – Granada could even launch its own satellite channel. All this should underpin further share price out-performance. After all, if acquisitions are not found, there will be a lot of cash to flow back to shareholders.




# Babcock/Siemens venture

By Tim Burt

Babcock International, the engineering, materials handling and facilities management group, yesterday announced the formal launch of a joint venture with Siemens of Germany to operate two of British Rail's heavy maintenance depots.

Railcare, a new company set up by the two groups, has acquired BR's Wolverton depot in the Midlands and Springburn depot in Glasgow as part of the government's privatisation programme. The venture follows eight months of talks between Babcock and Siemens, which have paid £6m for the depots.

Babcock said its carriage refurbishment operations would complement Siemens' "below floor" expertise, mainly in running gear and bogies.

As part of the deal, Siemens is paying £1.4m for a 40 per cent stake in Tickford Rail, Babcock's rolling-stock subsidiary, which has been reversed into Railcare. The new company is expected to have sales of about £60m next year.

Of BR's remaining maintenance depots, three have been sold to ABB Customer Support, part of the Swiss-Swedish engineering group, and one by to a management buy-out team.

# Greencore rises 13% to I£22m

By David Blackwell

Greencore, the Irish sugar, malting and milling group, lifted interim profits 13 per cent in spite of a 3 per cent fall in profits from sugar.

Pre-tax profits for the six months to the end of March rose from I£19.5m to I£22m, while turnover rose by 8 per cent to I£210.7m (I£194.2m).

The result was helped by a fall in interest payments from I£2.95m to I£1.73m. Gearing fell from 41 to 32 per cent.

Mr Kevin O'Sullivan, finance director, expects the cash generative group to have virtually wiped out borrowings by the end of the financial year.

Sugar production for the 1994-95 campaign was 213,000 tonnes – 6 per cent above the group's European sugar regime quota of 200,200 tonnes. The excess was being added to stocks, Mr O'Sullivan said.

Operating profits from sugar were down 3 per cent at I£11.6m on sales 1 per cent lower at I£58.9m.

The previous first half had contained the extra week of a 53-week year, and deliveries, usually roughly balanced between the first and second halves, had been only 45 per cent of the expected annual total during the period.

Agribusiness lifted operating profits 23 per cent to I£5.87m on sales 14 per cent higher at I£81.5m.


David Dilger, chief executive: sugar down but profits ahead

Fertiliser volumes were more than 6 per cent higher, although margins were affected by raw material price increases.

The foods division boosted operating profits 15 per cent to I£4.6m, driven by a strong and unexpected rise in world malt prices which helped the Belgian malt businesses acquired last year to make a good contribution.

Earnings per share were 11 per cent up at 21.3p (19.2p). The interim dividend rises to 4.1p (3.7p).

# Final hotel disposal for Rank

By Tim Burt

Rank Organisation, the leisure and entertainment group, has completed its withdrawal from the hotel industry after 25 years, with the sale of the Royal Garden Hotel in west London.

It sold the leasehold property to Goodwood Park Hotels, the Singapore-listed chain, for £85m – ending a three-year disposal programme.

The company has raised about £275m from the disposals, dominated by the sale of five leading London hotels including the Athenaeum, which it acquired in 1967.

It has also sold 16 regional hotels inherited from its 1990 acquisition of Mecca Leisure.

Rank said: "The hotels did not fit in with our strategic plans. The hotel chain was not a big player and their yields were relatively low."

The proceeds are expected to be used to expand the group's entertainment activities, such as out-of-town bingo clubs and the Hard Rock Café chain.

The withdrawal from the hotel industry formed part of a wide-ranging restructuring, dominated by this year's sale of part of its stake in the Rank Xerox office equipment joint venture for £620m.



# Lucas signs CSC deal worth £500m

By Paul Cheeseright, Midlands Correspondent

Lucas Industries is disposing of businesses with a book value of £25m ($39.2m) and net assets of £7m as part of its contract with Computer Sciences Corporation for the latter to take over its information technology services.

The contract, worth £500m over the next 10 years and announced last month, had now been signed, Lucas said.

The decision by Lucas to outsource its information technology activities is part of a broader plan to dispose of anything that is not central to aerospace and automotive component making.

The two subsidiaries which will be absorbed by CSC are Lucas Engineering & Systems and Lucas Management Systems, which employ nearly 700. Up to a further 500 employees from other parts of Lucas will also transfer to CSC.

Lucas will receive more than the asset value of the two companies but there will be no immediate financial gain. The sum will be outweighed by disposals later this year, at less than asset value. Lucas made provision for a £94.3m write-down of goodwill on businesses destined for disposal.

Lucas will retain the strategic direction and programme management of its information technology.

# Strength of yen hits Benicia

By Tim Burt

Benicia Industries, the US port operator which is floating on the London stock exchange, saw pre-tax profits ease from £2.52m to £2.31m last year.

The company, which runs the port of Benicia, 30 miles north of San Francisco, blamed the fall on the strength of the yen, which depressed imports of Japanese cars.

It predicted an improvement, however, following cost-cutting and an expected increase in US vehicle exports to the Pacific Rim.

The port, which is expected to be valued at £18.25m on flotation, is the third largest car and truck exporting port in the US and is thought to be the first to seek a public listing.

Its prospectus said the owners had decided to float in London "because the UK has an established port sector among quoted companies, including large groups such as Associated British Ports".

A total of 24.3m shares are being placed at 75p, raising £15m. The bulk represents the sale by the Hillman Company, a US investment group, of its 75 per cent stake for £12.2m.

A further £3.33m of shares are being issued to other investors, including Mr Timothy Chadwick, the Benicia director who led a buy-out of Benicia Industries in 1986. He will be executive chairman and is retaining his shares.

The issue is sponsored by Hill Samuel with Greig Middleton acting as brokers. Dealings begin on June 29.

## HSSH agrees bid

The board of Holland Sea Search Holding, the Dutch oil and gas company, has recommended acceptance of the bid from Cairn Energy, the independent UK oil producer.

Cairn has offered Fl 0.35 cash per share or Fl 4.35 plus two new Cairn for every 25 HSSH shares. Cairn has 45.4 per cent of HSSH, and options on a further 5.28 per cent.

# Settling for second best?

**Patrick Harverson considers the merits of Arjo's US expansion**

It has been a busy month at Arjo Wiggins Appleton, the Anglo-French paper group which yesterday announced a £170m investment in the US coated paper market.

Apart from the US deal, which included the acquisition of the Newton Falls coated paper mill for $60m (£37.7m) within the past three weeks Arjo has bought two Italian paper merchants for £56m, purchased a stake in a Hungarian paper distributor, manoeuvered into a position to acquire the distribution operations of Swiss group Holvis (a deal which if it came off would be worth about £100m) and begun negotiations to acquire a Portuguese paper merchant.

Behind the flurry of activity lies a two-pronged strategy: to reinforce the group's position as Europe's largest paper merchant, and to diversify into new, higher-grade paper businesses in the US, where Arjo's existing interests operate in a rapidly maturing market.

The strategy has, for the most part, been well-received in the City. The consolidation of Arjo's distribution businesses in Europe makes sense because it builds on the group's strengths.

The merits of the US expansion are less clear cut, although most analysts agree that after failing last year to buy S.D. Warren, the largest coated paper producer in the US, Arjo had to move quickly to get into the fast-growing coated paper market and reduce its reliance on the maturing carbonless paper business. "The high end of the coated market is the only true area to diversify into," says Mr Vighnesh Padiachy of BZW.

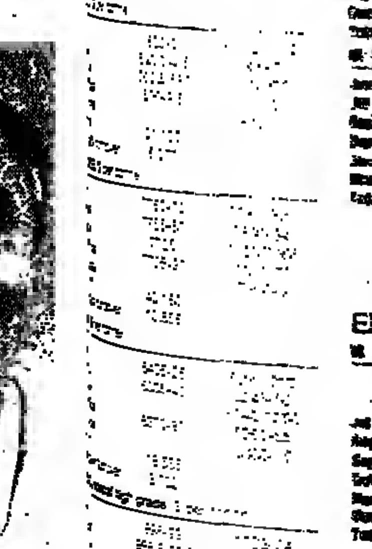
Others voice concerns that moves in the US may be poorly timed. Mr Michael Brown of S.G. Warburg says by the time Arjo has completed its £132m upgrade of the coated paper production facilities at the new mill and the Appleton operation, the US economy is likely to be slowing and coated paper prices falling under pressure from slackening demand and overproduction. "They are buying a small, low quality mill and are going to upgrade it. Yet the upgrade will coincide with a downturn in demand."

He adds that a recent build-up in paper inventories worldwide, coupled with indications that Scandinavian producers intend to run production at full capacity this summer, already suggest that demand, and with it paper prices, will begin to decline before the end of the year.

Arjo disagrees. Mr Alain Soulas, chief executive, is confident the long-term growth of the coated paper business is assured. Also, Mr Cob Stenham, chairman, believes the group's newly expanded US operations will be able to secure a growing share of the coated market because they will be able to exploit Appleton's strong ties to US paper merchants forged during its emergence as the dominant force in carbonless paper. "Merchants have got to carry our carbonless paper, so they will take the coated paper on the back of the carbonless."

Arjo also insists that analysts are wrong in predicting a steady slowdown in Appleton's profits from carbonless paper. While accepting that the business has reached maturity, Mr Soulas says the company should continue to increase its share of the carbonless market. "We believe Appleton has at least five more years of growth ahead," he says.

Yet, however much Arjo sings the praises of its move into coated paper, the feeling that it has been forced to settle for second best is difficult to dispel. By bidding too low last year for market leader S.D. Warren (Arjo is believed to have offered $1.4bn, well below the $1.6bn bid from Sappi that Warren's parent, Scott Paper, eventually accepted), critics say Arjo missed a wonderful opportunity.


Alain Soulas: 'at least five more years of growth ahead'

The Newton Falls coated paper mill is a "necessary diversification", says Mr Brown of Warburg. "But it's a shame they didn't pay up earlier and buy the best."

## RESULTS

| | | Turnover (£m) | | Pre-tax profit (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Airsprung Furntre | Yr to Mar 31 | 84.9 | (73.1 ) | 6.81 | (5.91 ) | 18.2 | (16 ) | 3.7 | July 28 | 3.1 | 5.4 | 4.8 |
| Capital | Yr to Mar 31 | 7.15 | (6.66 ) | 1.11 | (0.836 ) | 8.59 | (6.76 ) | 2.4 | July 27 | - | 3.6 | - |
| Cheering | 6 mths to Mar 31 | 34.2 | (24 ) | 3.81 | (2.85 ) | 10.53 | (9.35 ) | 3.58 | July 31 | 3.24 | - | 9.8 |
| City Site | 6 mths to Mar 31 | 5.27□ | (4.85 ) | 0.23♥ | (0.31♥ ) | 3.08L | (1.64L ) | nil | - | nil | - | nil |
| Crabtree | 6 mths to Mar 31 | 14.7 | (11.3 ) | 1.81 | (1.3 ) | 8.2 | (5.8 ) | 3.75 | July 25 | 3 | - | 6 |
| Daily Mail | 6 mths to Apr 2 | 417.7 | (368.3 ) | 38.3♥ | (24♥ ) | 27.1 | (13 ) | 4.3 | July 14 | 4 | - | 16.5 |
| Davenport Knitwear | Yr to Dec 31 | 10.5 | (9.73 ) | 2.47 | (2.15 ) | 95.9 | (84.5 ) | 9.8 | Oct 2 | 9.2 | 9.6 | 9.2 |
| French | 6 mths to Apr 2 | 7.9 | (7.78 ) | 0.384 | (0.551♠) | 1.93 | (2.8 ) | 1.45 | Aug 18 | 1.45 | - | 3.625 |
| Granada | 6 mths to Apr 1 | 1,119 | (941.4 ) | 154.5 | (103 ) | 17.7 | (13.9 ) | 3.85 | Oct 2 | 3.33 | - | 10 |
| Greencore | 6 mths to Mar 31 | 210.7♣ | (194.2 ) | 22.03 | (19.55 ) | 21.3 | (19.2 ) | 4.1 | Aug 14 | 3.7 | - | 9.9 |
| Hambros | Yr to Mar 31 | 436.5⁑ | (438.1 ) | 37.1 | (87.8 ) | 4 | (27 ) | 3 | Aug 21 | 10.5 | 7.5 | 15 |
| Henderson Admin | Yr to Mar 31 | 67.8 | (65.3 ) | 18.14♠ | (20.27 ) | 56.01 | (65.3 ) | 31.5 | July 21 | 31.5 | 45 | 44 |
| Ingham | Yr to Mar 31 | 24.5 | (25.3 ) | 0.964♠ | (1.91♥ ) | 3.6 | (8.2 ) | 1.75 | Aug 18 | 3.25 | 3.5 | 5 |
| Leigh Interests | Yr to Mar 31 | 117.5 | (113.2 ) | 9.09 | (9.89 ) | 9.6 | (10.6 ) | 5.37 | Oct 2 | 5.37 | 7.83 | 7.83 |
| RPC Group | Yr to Mar 31 | 79.4 | (68 ) | 8.03 | (7.63 ) | 9.6 | (9.4 ) | 2.35 | Aug 11 | 2.2 | 3.45 | 3.2 |
| Yorkshire Water | Yr to Mar 31 | 549.3 | (530.8 ) | 142♠ | (143.5♠) | 65.5 | (68 ) | 19.3 | Oct 2 | 15.2 | 27.6 | 22.8 |

| Investment Trusts | | NAV (p) | | Attributable Earnings (£m) | | EPS (p) | | Current payment (p) | Date of payment | Corresponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fairbairn Eur Sml | 6 mths to Apr 30 | 101.19 | (106.8 ) | 0.015 | (0.48 ) | 0.03 | (0.1 ) | nil | - | nil | - | 7 |
| Northern Investors | Yr to Mar 31 | 351.7 | (333.8 ) | 0.263 | (0.191 ) | 7.1 | (5.1 ) | 4.5 | July 28 | 3.5 | 6 | 5 |
| River Plate | 6 mths to Apr 30 | 88.6 | (158.2 ) | 2.4 | (2.4 ) | 4.44 | (4.44 ) | 3 | July 31 | 3 | - | 9.35 |

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. ♥After exceptional credit. ♠After exceptional charge. ♣Irish currency. □Rental income. ⁑Operating income.

## COMMODITIES AND AGRICULTURE

# East-west stock transfers 'distorted copper market'

By Kenneth Gooding, Mining Correspondent

Huge net transfers of stock between the west and the former eastern bloc have created much more distortion in the global copper market than the recent interest of the investment funds, suggests the Bloomsbury Minerals Economics consultancy organisation.

Its detailed analysis also throws more light on the recent activities of the Chinese in the copper market and reveals that China will have raised more than US$200m of badly-needed foreign exchange from this year's sales of copper from its so-called "strategic reserve".

These stocks originated two years ago when the Chinese economy was booming and its imports of refined copper were running at 200,000 tonnes a year. Analyst Mr Peter Hollands in Bloomsbury's latest Copper Briefing Service, says that, believing copper prices were at the bottom of the cycle, Chinese government agencies bought futures contracts for about 200,000 tonnes of copper, to guard against anticipated price increases. The Chinese paid perhaps US$2,100 a tonne so the total value of the copper would have been about $420m.

By late 1993 prices had fallen to $1,650 a tonne and the losses on the contracts, which had been rolled forward, would have been about $90m. The government agencies decided to take delivery of the 200,000 tonnes of copper, which late in 1993 and early 1994 was delivered to bonded warehouses in China and thus did not appear in trade statistics. At this stage the stocks began to be described as a "strategic reserve".

Mr Hollands points out that this was not the only east-west transfer of stocks taking place at that time. Chinese commercial stocks were also 50,000 to 75,000 tonnes above their normal level by the end of 1993 and between October 1993 and June last year Russia's Norilsk increased its stocks by 75,000 tonnes. Consequently, in only nine months eastern bloc stocks nearly doubled from about 280,000 tonnes at end-September 1993 to about 555,000 tonnes consumption by end-June 1994.

During the same months, western stocks fell by 395,000 tonnes or from 8.5 weeks to 6.1 weeks of consumption. "The bull market roared away and the investment funds were drawn in.

"But only 30 per cent of the west's initial stock drawdown represent a true deficit, while 70 per cent represented a stock transfer to the east. Nevertheless, the bull market was not just an illusion – a large global market deficit did eventually emerge," Mr Hollands points out.

However, in the third quarter of 1994 the Chinese commercial sector de-stocked and Norilsk transferred its surplus copper to the west. This gave the bull market its first big correction. By December last year eastern bloc stocks would have fallen to 400,000 tonnes (15.3 weeks consumption) while western stocks were about 1.485m tonnes (6.8 weeks).

During the early part of this year it began to seem as if the bull market could end as early as mid-1995 instead of next year and China's State Reserve Bureau feared it had only four or five months to sell the strategic stocks before prices slumped. The domestic market was not big enough to absorb all the stock and at least half would hava to be exported.

"We suspect that as early as mid-April political approval for the exports was obtained and that 80,000 tonnes was sold forward on the LME at $2,850 to $2,900 a tonne. About 20,000 tonnes was sold shortly afterwards on to the Shanghai exchange, we believe, thus substituting for $50m to $60m worth of current import needs."

Bloomsbury suggests that the gross profit on these sales was 30 per cent but, when the cost of financing stocks for two years is taken into account, the true margin was nearer 15 per cent. "A 15 per cent margin can vanish very quickly in a bear market, hence the burry, and hence the hasty re-exports from a country which will remain, longer term, a net importer.

"When analysts were worrying about what would happen when the funds turned bearish, they should have been worrying about the Chinese State Reserve Bureau.

"For analysts, the message is clear: stop thinking about western balances and east-west trade [in metals] and start thinking of global balances."

*Copper Briefing Service: monthly – £695 or US$1,095 a yearfrom Bloomsbury Minerals Economics, 70 Morchmont Street, London WC1N 1AB, UK.*

# Chilean output goes onwards and upwards

## The new mines and planned expansions are only the begining, writes Jonathan Eley

Standing at the rim of the giant Escondida copper mine and peering into the crater, the 240-tonne haul trucks look like children's toys. Smaller vehicles are barely visible on the ramp, itself the width of a motorway, which leads out of the mine to the crushing plant.

The noise of heavy diesel engines at work is incessant, and every so often the ground trembles as another section of pit wall is blasted away, yielding thousands of tonnes of ore for the scoops and shovels.

In around one year's time, this will overtake Chuquicamata to become the single biggest copper mine in the world, producing over 800,000 tonnes each year. Some observers believe its final output will be in excess of 1m tonnes annually. For many, Escondida epitomises what Chile's mining boom is all about – international companies co-operating in an investor-friendly economy to exploit some of the best quality copper deposits in the world.

Escondida was the first of the current rash of modern, large-scale mines in Chile. During 1994, Cerro Colorado and Quebrada Blanca started up in the north of the country. US company Phelps Dodge's La Candelaria mine was inaugurated earlier this year and Zaldivar, developed by Canada's Placer Dome and Outokumpo of Finland, will follow soon.

Construction has already started on the El Abra project, which will be followed by the even larger Collahuasi. These two super-projects between them will add another 600,000 tonnes to Chile' s output by the end of the decade, while smaller developments and expansions at existing mines – both state-owned and private – could essily add another 400,000 tonnes.

Cerro Colorado, developed by Canadian mining group Rio Algom, is first in line for expansion. The company is already in the process of installing three new leach pads to take output from the current 40,000 toones a year to around 60,000 by the end of next year. Many observers see this simply as a natural progression – almost a completion of the initial development – and are expecting a more substantial expansion following the company's recent announcement of a large increase in proven reserves. There has been no word from Rio Algom officially, but engineers at the mine hint strongly that output could rise to 100,000 tonnes a year before too long.

"The new reserves have pushed the mine-life back out to almost 30 years, and the oxide to sulphide ratio has moved closer to 50-50 which improves the economics," says one, adding that a further expansion would require considerabls extra construction, whereas only the new pads were need to move to 60,000 tonnes a year.

Cerro will no doubt be keen to perfect the bacterial leaching process it uses before moving ahead with a larger expansion. The bacterial process, which uses bugs to convert sulphide ore into oxides, which can be processed using solvent-extraction/electro-winning technology, has proved highly sensitive to temperature and acidity, and it has taken Rio Algom some time to find the ideal conditions. "We started the pads during the winter and found that the temperature within them was only around 13°C," sald one engineer, adding that once the weather had warmed up, evaporation losses had been a problem because of the extremely low humidity of the Atacama desert.

A sligbtly variation of the leaching process is used at nearby Quebrada Blanca, operated by Cominco of Canada. The company says its recoveries are on target, but it is not planning any output expansions. "There are 293m tonnes of oxide ore underneath the sulphides, but the grade is 0.5 per cent so we won't be leaching that unless thsre's a major technological development," says mine manager Mr David McMurdo, adding that a conventional concentrates opsration could be developed if the economic conditions were rigbt. Both Quebrada Blanca and Cerro Colorado are planning to leach their waste dumps in the next few years, although this will not add materially to their output.

La Candelaria, recently inaugurated in an high-profile ceremony attended by Chile's mining minister, is also almost certain to expand its output. Observers say the facilities there hava obviously been designed with this in mind, and its current 34-year mine life allows plenty of scope for output to be raised from 120,000 tonnes a year to at least 240,000. "I think there could well be an announcement before the end of this year," says one recent visitor to the mine. The older Los Bronces mine near Santiago, operated by a subsidiary of Exxon Minerals, could also boost output in order to lower its average costs, althougb Exxon has stressed that it is not yet considering any such expansion.

Still to come are several small and middle-sized projects, such as Leonor, Lomas Bayas and Andacollo, as well as the monster El Abra and Collahuasi mines.

The development of so many major projects in the inhospitabla desert poses its own problems, especially in terms of infrastructnre. "Power and water is what will ultimately limit the size of Collahuasi," says one observer. The cost of building transmission lines 4,500 metres above sea level led Cominco to build its own power plant for Quebrada Blanca, but Collahnasi will need much more power. The mine will also get through over 1,000 litres of water a second, and the Chilean authorities are now studying a report on the impact of sourcing this from a lake that is also a breeding ground for the Andean flamingo. Acid for Collahnasi will be imported through Mejillones, which will also be the point of entry for the requirements of Zaldivar and El Abra, while cathodes will be exported through the congested fishing port of Iquique, as are those from Cerro Colorado and Quebrada Blanca.

However, tbe quality of deposits and the support of the Chilean authorities has so far encouraged mining companies to overcome sucb natural obstacles – witness the building of a 150km concentrates pipeline from Escondida to the coast. It looks a safe bet that physical barriers are not going to stop sucb projects from going ahead and boosting the output of the world's biggest copper producer by another 1m tonnes a year by the end of the decade.

*Jonathon Eley is Assistant North American Editor, Metal Bulletin.*

# Central American's meet to shore up coffee alliance

Five Central American coffee producing nations are bolding an emergency one-day meeting here today in an attempt to shore up a fragile regional alliance and stabilise markets, reports Reuters from Tegucigalpa, Honduras.

The host nation is expected to join Costa Rica, El Salvador and Nicaragua in an effort to persuade Guatemala to return to a regional coffee export retention plan to maintain prices.

Guatemala recently withdrew from a Central American scheme to retain 20 per cent of exports and also remains undecided whether to participate in a similar global plan.

On Tuesday Gnatemala's Council on Coffee Policy made no decision about its participation in the international scheme that is backed by the Association of Coffee Producing Countries. The ACPC plan began June 1.

Guatemala's wavering may pave ths way for neighbouring nations to persuade it back into the fold, although representatives are playing down the importance of the meeting. They say tbe focus is not totally on Guatemala's position and that a variety of topics will be discussed. "But Guatemala is on the agenda," one Honduran representative confirmed.

Central America has emerged as an important coffee prodncing bloc, averaging about 10m bags (60kg each) a year out of global production of 80m-90m bags. That total is only slightly behind Colombia, the second-largest grower after Brazil.

Consequently, Central American coffee policy is now an important factor in global markets. Guatemala's withdrawal from the retention scheme provoked an immediate drop in coffee prices and provoked harsh criticism from other Central American nations. Mr Ruben Pineda, executive director of the Salvadoran Coffee Council said it was "an act of malice".

Mr Willy Zapata, president of the Banco de Guatemala and a member of Guatemala's coffee council, said this week that his country had already sold 80 per cent of the 1994-95 harvest.

"My position is that we sbould not retain," be said. "How can you go into retention when you have already sold your coffee?"

MARKET REPORT

# Oil prices claw back losses as US stocks fall

World OIL prices clawed some recent losses yesterday, snpported by constructive US stocks data.

North Sea Brent blend futures moved back above $18 a barrel after both the American Petroleum Institute and the Energy Information Agency said US gasoline stocks fell last week – contrary to many dealers' expectations.

At the London Commodity Exchange robusta COFFEE futures ended sharply lower on hedge-linked selling and a steep slide in New York.

*Compiled from Reuters*

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE**
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1757.5-60.5 | 1782-85 |
| Previous | 1755.5-56.5 | 1779-80 |
| High/low | 1756 | 1798/1770 |
| AM Official | 1755-55.5 | 1779.5-80.0 |
| Kerb close | | 1791-2 |
| Open int. | 193,803 | |
| Total daily turnover | 46,624 | |

■ ALUMINIUM ALLOY ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 1645-50 | 1660-65 |
| Previous | 1640-50 | 1655-60 |
| High/low | | 1665 |
| AM Official | 1640-45 | 1655-60 |
| Kerb close | | 1660-70 |
| Open int. | 2,533 | |
| Total daily turnover | 355 | |

■ LEAD ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 602-3 | 614.5-16.0 |
| Previous | 593.5-4.5 | 606-7 |
| High/low | 600.5/598 | 616/603 |
| AM Official | 599-9.5 | 610-10.5 |
| Kerb close | | 612-3 |
| Open int. | 31,133 | |
| Total daily turnover | 6,077 | |

■ NICKEL ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 7760-70 | 7895-900 |
| Previous | 7755-60 | 7880-94 |
| High/low | 7725 | 7930/7865 |
| AM Official | 7725-30 | 7865-70 |
| Kerb close | | 7900-5 |
| Open int. | 43,160 | |
| Total daily turnover | 12,858 | |

■ TIN ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 6405-25 | 6290-310 |
| Previous | 6335-45 | 6245-50 |
| High/low | | 6340/6250 |
| AM Official | 6370-80 | 6260-65 |
| Kerb close | | 6300-10 |
| Open int. | 18,585 | |
| Total daily turnover | 3,702 | |

■ ZINC, special high grade ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 998-99 | 1023-24 |
| Previous | 998.5-99.5 | 1024-24.5 |
| High/low | 998/997.5 | 1025/1015 |
| AM Official | 997.5-98.0 | 1021-21.5 |
| Kerb close | | 1023-4 |
| Open int. | 85,815 | |
| Total daily turnover | 24,367 | |

■ COPPER, grade A ($ per tonne)

| | Cash | 3 mths |
|---|---|---|
| Close | 2867-70 | 2845-48 |
| Previous | 2881-82 | 2857-58 |
| High/low | 2873/2872 | 2859/2838 |
| AM Official | 2872-73 | 2852-53 |
| Kerb close | | 2858-9 |
| Open int. | 238,773 | |
| Total daily turnover | 79,291 | |

■ LME AM Official £/$ rate: 1.5902
LME Closing £/$ rate: 1.5915
Spot:1.5945 3 mths:1.5922 6 mths:1.5873 9 mths:1.5820

■ HIGH GRADE COPPER (COMEX)

| | Close | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jun | 134.35 | +1.80 | 134.50 | 134.20 | 1,389 | 223 |
| Jul | 133.70 | +1.70 | 134.30 | 131.80 | 25,526 | 2,877 |
| Aug | 132.15 | +1.70 | 132.15 | 131.10 | 679 | 12 |
| Sep | 130.75 | +1.40 | 131.30 | 129.30 | 8,236 | 1,886 |
| Oct | 129.35 | +1.30 | - | - | 661 | 67 |
| Total | | | | | 44,426 | 5,341 |

### PRECIOUS METALS

**LONDON BULLION MARKET**
(Prices supplied by N M Rothschild)

| Gold(Troy oz) | $ price | £ equiv | SFr equiv |
|---|---|---|---|
| Close | 385.70-386.10 | | |
| Opening | 384.50-384.90 | | |
| Morning fix | 384.65 | 241.812 | 446.579 |
| Afternoon fix | 385.90 | 242.552 | 446.672 |
| Day's High | 386.20-386.60 | | |
| Day's Low | 384.50-384.90 | | |
| Previous close | 384.30-384.80 | | |

Loco Ldn Mean Gold Lending Rates (Vs US$)

| | | | |
|---|---|---|---|
| 1 month | 5.17 | 6 months | 4.85 |
| 2 months | 5.10 | 12 months | 4.87 |
| 3 months | 5.06 | | |

| Silver Fix | p/troy oz. | US cts equiv. |
|---|---|---|
| Spot | 335.70 | 533.50 |
| 3 months | 340.55 | 540.35 |
| 6 months | 345.70 | 547.05 |
| 1 year | 358.60 | 560.40 |

| Gold Coins | $ price | £ equiv. |
|---|---|---|
| Krugerrand | 386-389 | 242-244 |
| Maple Leaf | 396.95-399.45 | |
| New Sovereign | 90-93 | 56-58 |

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Jun | 387.1 | +1.8 | 387.5 | 385.7 | 3,963 | 1,024 |
| Aug | 389.5 | +1.7 | 389.9 | 387.7 | 74,871 | 15,858 |
| Oct | 392.8 | +1.8 | 392.8 | 391.3 | 6,507 | 214 |
| Dec | 396.1 | +1.8 | 396.8 | 394.9 | 34,018 | 739 |
| Feb | 399.1 | +1.8 | 399.1 | 398.5 | 13,845 | 988 |
| Total | | | | | 170,087 | 19,671 |

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Jul | 436.1 | +4.2 | 438.5 | 431.5 | 10,900 | 812 |
| Oct | 436.9 | +4.2 | 437.5 | 433.0 | 6,577 | 104 |
| Jan | 439.1 | +3.9 | 439.1 | 435.5 | 1,727 | 29 |
| Apr | 441.1 | +3.9 | - | - | 727 | - |
| Jul | 443.1 | +3.8 | - | - | 205 | - |
| Total | | | | | 20,136 | 945 |

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Jun | 157.05 | +1.55 | 158.50 | 157.05 | 174 | 10 |
| Sep | 158.95 | +1.55 | 159.50 | 157.00 | 5,323 | 650 |
| Dec | 160.95 | +1.55 | 161.50 | 160.95 | 888 | - |
| Total | | | | | 6,385 | 660 |

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

| | Sett price | Day's change | High | Low | Open int | Vol. |
|---|---|---|---|---|---|---|
| Jun | 534.4 | +5.9 | - | - | 1 | 2 |
| Jul | 536.2 | +5.7 | 540.0 | 531.0 | 48,220 | 10,954 |
| Sep | 541.7 | +5.9 | 546.0 | 538.5 | 15,257 | 795 |
| Dec | 548.9 | +5.9 | 553.0 | 546.0 | 17,024 | 148 |
| Jan | 551.2 | +6.0 | - | - | 16 | - |
| Mar | 556.2 | +6.1 | 558.0 | 556.2 | 10,774 | - |
| Total | | | | | 108,529 | 11,902 |

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 19.16 | +0.10 | 19.18 | 19.05 | 68,626 | 41,305 |
| Aug | 18.98 | +0.07 | 19.02 | 18.91 | 45,630 | 19,376 |
| Sep | 18.80 | +0.05 | 18.86 | 18.75 | 32,879 | 8,878 |
| Oct | 18.62 | +0.01 | 18.71 | 18.62 | 19,883 | 2,961 |
| Nov | 18.53 | +0.03 | 18.58 | 18.53 | 17,434 | 1,808 |
| Dec | 18.47 | +0.05 | 18.47 | 18.43 | 23,579 | 6,289 |
| Total | | | | | 332,941 | 90,880 |

■ CRUDE OIL IPE ($/barrel)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 17.94 | +0.05 | 18.08 | 17.86 | 44,183 | 19,530 |
| Aug | 17.70 | +0.09 | 17.75 | 17.62 | 39,153 | 16,537 |
| Sep | 17.47 | +0.03 | 17.51 | 17.42 | 16,492 | 5,753 |
| Oct | 17.34 | +0.01 | 17.36 | 17.34 | 15,901 | 2,453 |
| Nov | 17.30 | +0.06 | 17.31 | 17.24 | 5,112 | 1,025 |
| Dec | 17.19 | +0.04 | 17.23 | 17.18 | 11,490 | 2,956 |
| Total | | | | | 145,641 | 48,693 |

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 49.05 | -0.05 | 49.35 | 49.00 | 30,626 | 10,893 |
| Aug | 49.05 | - | 49.75 | 49.46 | 15,498 | 3,120 |
| Sep | 50.30 | +0.10 | 50.50 | 50.25 | 12,134 | 852 |
| Oct | 51.15 | +0.10 | 51.30 | 51.10 | 5,850 | 477 |
| Nov | 52.00 | +0.15 | 52.00 | 52.00 | 5,070 | 258 |
| Dec | 52.75 | - | 52.95 | 52.80 | 16,011 | 1,707 |
| Total | | | | | 111,404 | 18,846 |

■ GAS OIL IPE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jun | 154.25 | -0.25 | 155.00 | 153.00 | 16,380 | 7,773 |
| Jul | 152.50 | - | 153.00 | 151.75 | 25,239 | 9,114 |
| Aug | 153.00 | - | 153.25 | 152.50 | 13,471 | 1,965 |
| Sep | 154.75 | - | 155.25 | 154.50 | 9,707 | 1,243 |
| Oct | 157.50 | +0.25 | 157.50 | 157.00 | 4,272 | 87 |
| Dec | 160.75 | - | 160.75 | 160.00 | 9,778 | 603 |
| Total | | | | | 86,635 | 25,946 |

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 1.707 | +0.021 | 1.710 | 1.680 | 27,781 | 13,742 |
| Aug | 1.770 | +0.010 | 1.775 | 1.750 | 20,791 | 8,548 |
| Sep | 1.804 | +0.010 | 1.805 | 1.787 | 18,018 | 2,461 |
| Oct | 1.820 | +0.006 | 1.820 | 1.815 | 13,419 | 2,080 |
| Nov | 1.893 | +0.005 | 1.893 | 1.885 | 8,286 | 526 |
| Dec | 1.981 | -0.002 | 1.985 | 1.980 | 14,359 | 832 |
| Total | | | | | 144,492 | 28,471 |

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

| | Latest price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 62.10 | +0.71 | 62.45 | 61.25 | 38,101 | 17,179 |
| Aug | 59.15 | +0.45 | 59.50 | 58.60 | 18,524 | 4,882 |
| Sep | 57.15 | +0.30 | 57.25 | 57.10 | 8,962 | 1,563 |
| Oct | 55.05 | +0.20 | 55.10 | 55.00 | 3,281 | 524 |
| Nov | 54.45 | +0.30 | - | - | 2,084 | 16 |
| Dec | 53.80 | +0.20 | 53.95 | 53.70 | 3,139 | 17 |
| Total | | | | | 88,121 | 24,185 |

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 128.75 | -0.15 | 16.75 | 128.25 | 872 | 42 |
| Sep | 108.10 | +0.20 | 108.10 | 107.75 | 506 | 4 |
| Nov | 109.15 | +0.15 | 109.15 | 109.00 | 3,088 | 32 |
| Jan | 111.15 | +0.20 | 111.15 | 110.95 | 1,803 | 48 |
| Mar | 113.10 | +0.20 | 113.10 | 112.75 | 532 | 5 |
| May | 115.05 | - | - | - | - | - |
| Total | | | | | 6,948 | 181 |

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 373/4 | -8/4 | 382/0 | 372/4 | 40,589 | 11,814 |
| Sep | 380/6 | -8/0 | 387/4 | 378/6 | 17,238 | 3,857 |
| Dec | 392/4 | -7/4 | 399/4 | 391/0 | 23,832 | 4,944 |
| Mar | 396/0 | -7/4 | 403/0 | 395/4 | 2,082 | 385 |
| May | 380/0 | -3/0 | 386/0 | 380/0 | 29 | 5 |
| Jul | 356/0 | -4/0 | 358/0 | 351/0 | 306 | 102 |
| Total | | | | | 84,076 | 28,805 |

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 265/4 | -2/0 | 267/4 | 264/4 | 121,086 | 22,990 |
| Sep | 272/2 | -2/2 | 274/2 | 271/4 | 48,384 | 8,230 |
| Dec | 277/6 | -1/2 | 279/2 | 275/6 | 210,188 | 37,575 |
| Mar | 282/6 | -1/2 | 284/2 | 280/6 | 22,148 | 3,156 |
| May | 286/2 | -2/2 | 288/4 | 284/4 | 4,741 | 215 |
| Jul | 285/0 | -2/0 | 288/0 | 285/4 | 4,741 | 448 |
| Total | | | | | 425,888 | 73,854 |

■ BARLEY LCE (£ per tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Sep | 105.80 | -0.45 | - | - | 173 | - |
| Nov | 107.25 | - | - | - | 690 | - |
| Jan | 108.75 | +0.05 | - | - | 333 | - |
| Mar | 111.90 | - | - | - | 116 | - |
| May | 113.75 | - | - | - | 20 | - |
| Total | | | | | 1,332 | - |

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 591/4 | -0/4 | 594/0 | 590/0 | 53,649 | 25,089 |
| Aug | 596/2 | -0/2 | 598/4 | 591/0 | 18,340 | 1,855 |
| Sep | 602/4 | +0/2 | 604/0 | 597/0 | 7,158 | 889 |
| Nov | 610/2 | +0/2 | 613/0 | 604/4 | 52,049 | 13,858 |
| Jan | 617/4 | +1/0 | 619/0 | 612/4 | 4,375 | 158 |
| Mar | 624/6 | +1/2 | 625/0 | 619/4 | 1,498 | 283 |
| Total | | | | | 142,887 | 43,187 |

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 28.65 | +0.23 | 28.70 | 28.12 | 28,045 | 8,872 |
| Aug | 28.49 | +0.16 | 28.50 | 28.03 | 12,644 | 1,304 |
| Sep | 28.47 | +0.19 | 28.50 | 28.05 | 9,123 | 724 |
| Oct | 25.41 | +0.18 | 28.42 | 28.00 | 8,098 | 242 |
| Dec | 26.37 | +0.20 | 26.39 | 25.91 | 17,718 | 2,477 |
| Jan | 26.31 | +0.18 | 26.31 | 25.80 | 1,128 | 5 |
| Total | | | | | 74,228 | 13,510 |

■ SOYABEAN MEAL CBT (100 tons; $/ton)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 172.4 | -1.0 | 173.9 | 172.0 | 34,372 | 8,130 |
| Aug | 174.3 | -1.1 | 176.0 | 174.1 | 12,943 | 2,428 |
| Sep | 176.4 | -0.8 | 177.7 | 176.1 | 10,239 | 774 |
| Oct | 178.5 | -0.6 | 179.7 | 178.1 | 9,384 | 135 |
| Dec | 182.1 | -0.6 | 183.1 | 181.6 | 15,528 | 1,854 |
| Jan | 182.8 | -0.6 | 183.5 | 182.5 | 1,366 | 67 |
| Total | | | | | 84,245 | 13,433 |

■ POTATOES LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Nov | 85.0 | - | - | - | - | - |
| Mar | 107.5 | - | - | - | - | - |
| Apr | 111.7 | +2.2 | 111.7 | 110.0 | - | - |
| May | 135.0 | - | - | - | 492 | 39 |
| Jun | 150.0 | - | - | - | 4 | - |
| Total | | | | | 496 | 39 |

■ FREIGHT (BIFFEX) LCE ($10/index point)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jun | 1910 | -25 | 1955 | 1910 | 531 | 54 |
| Jul | 1790 | -10 | 1830 | 1785 | 841 | 68 |
| Aug | 1787 | -28 | 1815 | 1787 | - | 20 |
| Oct | 1785 | -20 | 1820 | 1785 | 1,308 | 25 |
| Jan | 1750 | -15 | 1750 | 1750 | 568 | 8 |
| Apr | 1750 | -15 | 1780 | 1750 | 49 | 16 |
| Total | | | | | 3,304 | 276 |

| | Close | Prev |
|---|---|---|
| BFI | 2016 | 2026 |

### SOFTS

■ COCOA LCE (£/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 925 | +4 | 935 | 923 | 22,993 | 3,023 |
| Sep | 944 | +3 | 955 | 943 | 22,805 | 1,688 |
| Dec | 969 | +3 | 979 | 968 | 23,175 | 2,490 |
| Mar | 984 | +7 | 1001 | 991 | 27,398 | 900 |
| May | 1010 | +9 | 1014 | 1006 | 8,916 | 174 |
| Jul | 1023 | +8 | 1026 | 1020 | 2,417 | 145 |
| Total | | | | | 114,825 | 8,421 |

■ COCOA CSCE (10 tonnes; $/tonnes)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 1294 | 0 | 1304 | 1283 | 20,979 | 5,814 |
| Sep | 1324 | -2 | 1334 | 1315 | 24,822 | 4,424 |
| Dec | 1360 | -3 | 1369 | 1351 | 14,244 | 2,006 |
| Mar | 1395 | -8 | 1405 | 1395 | 8,307 | 587 |
| May | 1415 | -3 | - | - | 5,528 | 25 |
| Jul | 1435 | -3 | - | - | 2,955 | - |
| Total | | | | | 78,538 | 12,864 |

■ COCOA (ICCO) (SDR's/tonne)

| Jun 6 | Price | Prev. day |
|---|---|---|
| Daily | 901.25 | 922.87 |

■ COFFEE LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 2793 | -98 | 2880 | 2768 | 15,283 | 2,880 |
| Sep | 2713 | -118 | 2838 | 2716 | 14,183 | 2,100 |
| Nov | 2706 | -117 | 2830 | 2701 | 2,725 | 53 |
| Jan | 2725 | -108 | 2782 | 2725 | 830 | 2 |
| Mar | 2715 | -110 | 2798 | 2715 | 481 | 5 |
| May | 2713 | -102 | 2805 | 2713 | - | 2 |
| Total | | | | | 33,295 | 4,822 |

■ COFFEE "C" CSCE (37,500lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 150.15 | -6.50 | 157.20 | 148.50 | 16,080 | 4,326 |
| Sep | 152.65 | -0.45 | 159.40 | 151.20 | 11,720 | 1,795 |
| Dec | 155.25 | -5.85 | 160.25 | 155.10 | 5,057 | 369 |
| Mar | 157.60 | -6.00 | 161.00 | 157.90 | 2,483 | 108 |
| May | 158.80 | -6.00 | - | - | 193 | 8 |
| Jul | 159.80 | -6.00 | - | - | 24 | 3 |
| Total | | | | | 35,566 | 6,602 |

■ COFFEE (ICO) (US cents/pound)

| Jun 6 | Price | Prev. day |
|---|---|---|
| Comp. daily | 147.95 | 149.55 |
| 15 day average | 150.20 | 150.94 |

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 13.27 | - | - | - | 2,380 | - |
| Oct | 10.43 | - | - | - | - | - |
| Jan | 13.25 | - | - | - | - | - |
| Mar | 10.16 | - | - | - | 2,000 | - |
| Total | | | | | 4,380 | - |

■ WHITE SUGAR LCE ($/tonne)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Aug | 355.5 | +1.5 | 356.5 | 354.5 | 10,934 | 636 |
| Oct | 300.0 | -1.6 | 302.0 | 300.0 | 5,457 | 148 |
| Dec | 284.5 | -2.0 | 286.5 | 284.5 | 2,858 | 16 |
| Mar | 280.8 | -2.2 | 282.0 | 280.8 | 2,527 | 60 |
| May | 283.0 | -2.3 | - | - | 428 | - |
| Aug | 285.0 | -2.0 | - | - | 166 | - |
| Total | | | | | 22,528 | 860 |

■ SUGAR "11" CSCE (112,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 11.56 | -0.20 | 11.79 | 11.55 | 43,535 | 13,843 |
| Oct | 10.09 | -0.08 | 10.15 | 10.06 | 40,271 | 7,463 |
| Mar | 9.85 | -0.07 | 9.93 | 9.85 | 23,000 | 3,113 |
| May | 9.89 | -0.04 | 9.93 | 9.89 | 7,771 | 906 |
| Jul | 9.87 | -0.03 | 9.92 | 9.87 | 8,770 | 642 |
| Oct | 9.70 | -0.05 | 9.75 | 9.70 | 2,541 | 480 |
| Total | | | | | 128,589 | 26,780 |

■ COTTON NYCE (50,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 111.65 | +3.00 | 111.65 | 108.20 | 14,629 | 4,697 |
| Oct | 88.02 | +3.00 | 88.02 | 87.00 | 9,732 | 1,515 |
| Dec | 82.78 | +3.00 | 82.78 | 80.30 | 29,534 | 4,048 |
| Mar | 83.90 | +3.00 | 83.90 | 81.40 | 10,383 | 212 |
| May | 84.40 | +3.00 | 83.25 | 82.25 | 3,833 | 101 |
| Jul | 84.55 | +3.00 | 84.55 | 84.55 | 1,860 | 7 |
| Total | | | | | 70,880 | 10,584 |

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 100.00 | -1.20 | 101.20 | 97.75 | 11,773 | 3,801 |
| Sep | 104.30 | -1.30 | 105.50 | 102.25 | 8,921 | 2,256 |
| Nov | 104.75 | -0.25 | 105.00 | 103.25 | 2,120 | 398 |
| Jan | 107.45 | +0.45 | 106.60 | 105.00 | 2,858 | 109 |
| Mar | 109.80 | +0.70 | 108.30 | 108.00 | 835 | 82 |
| May | 112.80 | +0.70 | - | - | 429 | 2 |
| Total | | | | | 27,434 | 6,588 |

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jun | 63.550 | -0.075 | 63.875 | 63.450 | 11,279 | 5,758 |
| Aug | 61.925 | -0.375 | 62.500 | 61.900 | 23,163 | 8,308 |
| Oct | 63.250 | -0.200 | 63.700 | 63.225 | 13,248 | 2,551 |
| Dec | 64.125 | -0.125 | 64.350 | 63.950 | 5,521 | 739 |
| Feb | 64.575 | -0.175 | 64.825 | 64.500 | 3,493 | 49 |
| Apr | 65.375 | -0.100 | 65.550 | 65.325 | 1,941 | 70 |
| Total | | | | | 58,778 | 18,481 |

■ LIVE HOGS CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jun | 43.550 | -0.775 | 44.250 | 43.475 | 3,371 | 1,438 |
| Aug | 44.375 | -0.525 | 44.800 | 43.750 | 8,021 | 3,279 |
| Oct | 41.525 | -0.525 | 41.950 | 41.400 | 8,586 | 1,797 |
| Dec | 42.850 | -0.275 | 42.850 | 42.400 | 5,406 | 648 |
| Feb | 43.600 | -0.300 | 43.850 | 43.600 | 2,294 | 261 |
| Apr | 43.100 | -0.100 | 43.100 | 43.050 | 912 | 53 |
| Total | | | | | 27,300 | 7,494 |

■ PORK BELLIES CME (40,000lbs; cents/lbs)

| | Sett price | Day's change | High | Low | Open int | Vol |
|---|---|---|---|---|---|---|
| Jul | 36.450 | -0.925 | 37.300 | 35.900 | 4,480 | 1,602 |
| Aug | 35.425 | -0.950 | 36.250 | 35.000 | 2,853 | 783 |
| Feb | 49.750 | -0.350 | 50.000 | 49.000 | 275 | 51 |
| Mar | 48.700 | +0.450 | 49.075 | 48.700 | 32 | 3 |
| May | 49.550 | +0.200 | 49.550 | 49.500 | 7 | 3 |
| Total | | | | | 7,659 | 2,438 |

### LONDON TRADED OPTIONS

| Strike price $ tonne | Calls | | Puts | |
|---|---|---|---|---|
| ■ ALUMINIUM (99.7%) LME | Sep | Dec | Sep | Dec |
| 1700 | 131 | 152 | 58 | 94 |
| 1800 | 81 | 114 | 105 | 143 |
| 1900 | 47 | 78 | 168 | 204 |
| ■ COPPER (Grade A) LME | Sep | Dec | Sep | Dec |
| 2700 | 165 | 141 | 30 | 86 |
| 2800 | 102 | 93 | 65 | 135 |
| 2900 | 56 | 58 | 117 | 197 |
| ■ COFFEE LCE | Jul | Sep | Jul | Sep |
| 3050 | 15 | 122 | 272 | 459 |
| 3100 | 11 | 112 | 315 | 499 |
| 3150 | 7 | 102 | 364 | 539 |
| ■ COCOA LCE | Sep | Dec | Sep | Dec |
| 950 | 40 | 74 | 46 | 55 |
| 975 | 30 | 62 | 61 | 68 |
| 1000 | 22 | 52 | 78 | 99 |
| ■ BRENT CRUDE IPE | Jul | Oct | Jul | Oct |
| 1750 | 44 | 80 | 1 | 76 |
| 1800 | 13 | 42 | 18 | 108 |
| 1850 | 1 | 27 | 59 | 143 |

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jul)

| | | +or- |
|---|---|---|
| Dubai | $16.72-6.77z | +0.036 |
| Brent Blend (dated) | $18.05-8.07 | +0.095 |
| Brent Blend (Jul) | $17.95-7.97z | +0.095 |
| W.T.I. (1pm est) | $19.12-9.14z | +0.130 |

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

| | | |
|---|---|---|
| Premium Gasoline | $200-202 | |
| Gas Oil | $155-156 | -0.50 |
| Heavy Fuel Oil | $94-96 | |
| Naphtha | $189-191 | |
| Jet fuel | $167-168 | -1 |
| Diesel | $155-156 | -0.5 |

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

| | | |
|---|---|---|
| Gold (per troy oz)♣ | $385.90 | +1.45 |
| Silver (per troy oz)♣ | 536.50c | +4.00 |
| Platinum (per troy oz.) | $433.00 | +0.75 |
| Palladium (per troy oz.) | $156.25 | -0.15 |
| Copper (US prod.) | Unq. | |
| Lead (US prod.) | 41.75c | |
| Tin (Kuala Lumpur) | 15.03m | -0.26 |
| Tin (New York) | 307.50c | +4.00 |
| Cattle (live weight)† | 124.15p | +1.65* |
| Sheep (live weight)†♠ | 115.34p | +0.16* |
| Pigs (live weight)† | 95.68p | +0.59* |
| Lon. day sugar (raw) | $351.5 | +6.8 |
| Lon. day sugar (wte) | $403.0 | +6.0 |
| Tate & Lyle export | £335.0 | +4.0 |
| Barley (Eng. feed) | Unq. | |
| Maize (US No3 Yellow) | £147.0 | |
| Wheat (US Dark North) | Unq. | |
| Rubber (Jul)♥ | 103.00p | -1.50 |
| Rubber (Aug)♥ | 103.00p | -1.50 |
| Rubber (KL RSS No1) | 368.0m | -4.0 |
| Coconut Oil (Phil)§ | $850.0y | +5.0 |
| Palm Oil (Malay.)§ | $640.0w | +2.5 |
| Copra (Phil)§ | 413.0u | |
| Soyabeans (US) | 160.0w | |
| Cotton Outlook'A' index | 107.15 | +0.30 |
| Wooltops (64s Super) | 522p | |

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. u May/Jun w Jun. z Jul. y Jun/Jul. q May ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

**Nuts and Seeds**
1994 Crop prices from Kenkko Group; US $ per tonne: Iranian Pistachios 28/30 raws (in shell) naturally opened (round) 3,500 FOT MEP; firm. US almonds (shelled) 23/25 NPSSR 5,400 C&F MEP. 1995 crop estimate lower than expected at about 200,000 tonnes. US walnuts (shelled) light halves and pieces 4,600 FAS California; wet, warm weather has raised fears of blight. Indian cashews, raw, W320, 5,550 FOT MEP, firm. Turkish hazelnut kernels, 13/15 standard 1s 3,050 C&F MEP; new crop 3,500, up on drought damage fears. Pumpkin seed: Chinese snow white 1,850 C&F MEP, firm on withdrawal of 13% export subsidy; Russian S/W, long, 2,450 FOB MEP. Sunflower seeds: Kansas 1994 crop 800 CIF MEP; 1995 crop 800; N Dakota, round, 700; Israeli 1,650; new crop indicate at 1,650. Brazil nuts, 3,200 CIF MEP, firm.

**VOLUME DATA**
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

### INDICES

■ REUTERS (Base: 18/9/31=100)

| Jun 7 | Jun 6 | month ago | year ago |
|---|---|---|---|
| 2301.1 | 2302.5 | 2301.5 | 1879.5 |

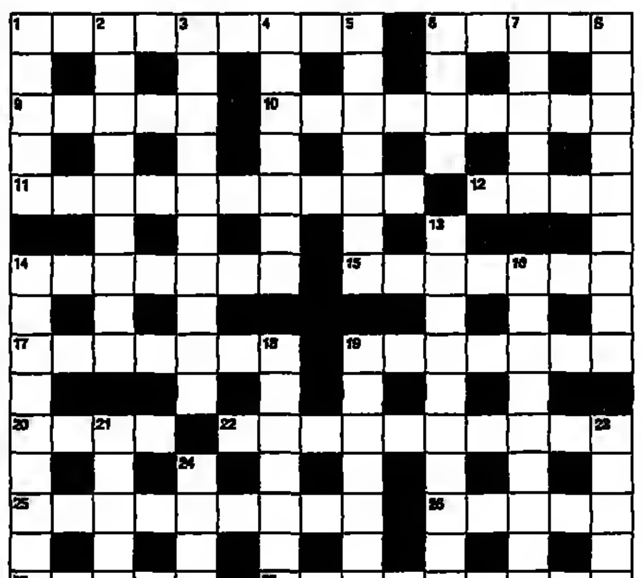
■ CRB Futures (Base: 1967=100)

| Jun 6 | Jun 5 | month ago | year ago |
|---|---|---|---|
| 234.06 | 234.08 | 231.96 | 236.61 |

**JOTTER PAD**

## CROSSWORD

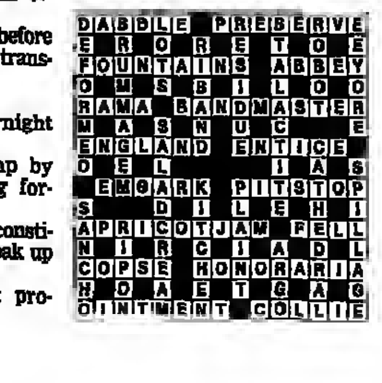
No.8,782 Set by HIGHLANDER



ACROSS
1 Fight cancelled: freeze tickets supplied here (3,6)
6 Go back into small business that's fraudulent (5)
9 Sickly looking newspaperman faded away (5)
10 Tropic island grain crop (9)
11 Transfer overseas people to front part of the carriage (10)
12 Small room in church completed by two novices (4)
14 Stealthy mover with bow lost even Robin initially (7)
15 Most favourable environment for basic chemical substance (7)
17 Bears down on publishing houses (7)
19 Hen lost at sea in Cornish resort (7)
20 One point each way? (4)
22 Copies wall arrangement in bed linen (10)
25 Initiator of action in clear disagreement (9)
26 Pays careful attention to seed broadcast by Henry (5)
27 Make connection at university match first (3-2)
28 Primate allowed back before your old-style thought transference (9)

DOWN
1 Bent over – it's overnight dampness, old boy! (5)
2 Phone box smashed up by English person hating foreigners (9)
3 Supporter of US-style constitution fears it led to break up (10)
4 Non-native inhabitant proceeds over river (7)
5 Old vessels cover eastern stretch (7)
6 Tempt graduate with sex (4)
7 Fumble for thicker version of G-string? (5)
8 Very short suit? Put vest on (9)
13 Chaps with it get university post (10)
14 Sprinkle liberally with cannabis from small container on table (9)
16 Outward-looking, possibly wide, semi-vertical at the end (9)
18 Goes up mountain – expertise mostly provided by team leader (3,4)
19 Giving assistance with male recording (not quite complete) (7)
21 Fishes travel across ice (5)
23 Try to express first signs of sex appeal (5)
24 Suddenly break photograph showing vessels overturned (4)

Solution 8,781



## INTERNATIONAL CAPITAL MARKETS

# Losses fail to dampen European sentiment

By Conner Middelmann in London and Lisa Bransten in New York

Europe's government bond markets took a breather yesterday, consolidating after weeks of solid gains on profit-taking and weaker US Treasuries.

However, sentiment remains positive and most dealers saw yesterday's losses as a pause in the rally rather than a reversal. "The prospective US slowdown, the deflation drift in Japan, and a slower pace of recovery in Europe all add up to a positive picture for bonds," say analysts at Bear Stearns. "All this paints a fairly positive picture for both European bonds and convergence for Europe in the medium term."

■ A one-basis-point decline in the Bundesbank's two-week repo rate to 4.50 per cent disappointed those dealers who had hoped for a more aggressive easing, and prompted profit-taking in the bund market as well as bolstering the D-Mark.

Still, most traders remain confident that the repo rate will be allowed to edge down in coming weeks, given Germany's slowing recovery, sub-target M3 money supply growth, the D-Mark's strength and receding inflation risks.

Next week's Group of Seven meeting could fan hopes of more aggressive German rate cuts.

"In the run-up to the meeting there could be the suspicion that the Bundesbank might make a pre-G7 move" at its council meeting next Wednesday, said Ms Ros Lifton, of Daiwa Europe.

■ UK gilts underperformed bunds on profit-taking after their recent rally, with the 10-year UK yield gap over Germany widening by three basis points to 139 basis points.

■ The higher-yielding markets posted the biggest losses, hit mostly by currency weakness, causing their yield spreads over bunds to widen out after recent narrowing.

### GOVERNMENT BONDS

Italy's 10-year bond future dropped by 1.13 point to 100.49, with the spread over bunds widening by 12 basis points to 568. Spain's 10-year bond future fell by 1.07 point to 86.98.

■ Russia will launch its domestic government bond market with a one-year issue on June 14, Reuter reports. "The volume of the first issue will be 1,000bn roubles, and the first quarterly coupon will be 52.88 per cent," said Mr Konstantin Korishchenko, deputy head of the central bank's securities department.

So far the government has issued treasury bills with three, six and 12-month maturities, on a discount basis. But the bonds will pay interest based on the yields of T-bills maturing within 30 days of the coupon date.

■ US Treasury prices were flat to modestly higher in quiet trading yesterday morning with little economic data to give the market direction.

By midday the benchmark 30-year Treasury was $\frac{1}{16}$ higher at 114¾ to yield 6.492 per cent. At the short end of the maturity spectrum, the two-year note was unchanged with a price of 100$\frac{11}{32}$ to yield 5.583.

There have been no sharp price movements since last Friday when the market rallied on the heels of surprisingly weak employment figures.

"You can't be excited every day," said Mr Peter Hirsch, head of the government bond desk at Salomon Brothers. "There isn't any new information and we have had several days to digest the old information."

He said traders were waiting for crucial inflation data due out on Friday. Analysts expect the producer price index to have risen 0.3 per cent in May, which would imply year-on-year inflation of 2.6 per cent.

If the number is significantly higher, Treasuries could be subject to a sharp correction because the market has already priced in an easing of monetary policy by the Federal Reserve, and hints of inflation would make such a move by the central bank less certain.

# Code of practice on derivatives due soon

By Richard Lapper

A code of practice to guide investors and financial managers in their use of derivatives is being drawn up by the Futures and Options Association, the UK futures industry trade association.

A draft is to be circulated to associations of investors and corporate treasurers later this month, explained Mr Mark Harding, chairman of the FOA's working group on derivatives. "The code is designed to provide a practical and cost effective guide for end users," said Mr Anthony Belchambers, executive director of the FOA.

Mr Harding said the code – likely to consist of between 25 and 30 pages – would provide guidance for companies on the policies and procedures they should follow when using derivatives.

Among areas covered will be recommendations on checking procedures and the type of information managers should report to boards. Other chapters will cover credit and counterparty risk and legal risks.

"The importance of this kind of approach has been highlighted by recent litigation in the United States," explained Mr Harding. Most existing work in the area – by institutions such as the Group of Thirty, the Washington-based think-tank – has focused on the needs of financial institutions, he said.

"We want to give the director of the average public company an idea about the sort of things he should be asking," said Mr Harding.

The report, however, will not touch on issues relating to financial disclosure. Mr Harding said these issues were the concern of the Accounting Standards Board.

# S&P launches more compact small-stock index

By Laurie Morse in Chicago

The investment designers at Standard and Poor's are offering yet another way for portfolio managers to break down the US equities market.

They have come up with a small-stock index that is more compact than its more established small-capitalisation competitors, the Russell 2,000 and the comprehensive Wiltshire Index.

### DERIVATIVE INSTRUMENTS

Mr Al Neubert, Standard and Poor's director of index products, describes the SmallCap 600 Index as "investable". "The Russell 2,000 is an excellent small cap benchmark, but for the purposes of trading it gets unusually cumbersome," he says.

His company selected its basket of 600 stocks from a field of some 2,500 small stocks on the basis of liquidity, range of market values, and to achieve a broad representation of economic sectors.

Mr Neubert says the resulting 600 captures more than 50 per cent of the market value of the small-cap segment. While its simplicity may be appealing, the market will judge if there is a need for yet another US equities index. Small cap stocks are not nearly as glamorous as they were a year ago, since this year's record-breaking run in the US stock market has centred on larger companies.

While the S&P 500 large cap index remains the benchmark for the US stock market as a whole, Mr Robert Merrilees, director of trading at the Chicago-based options boutique of G-Bar Limited, notes that the American Stock Exchange's options on an S&P 400 index of mid-sized stocks have not attracted much volume. "That indicates there may not be much of a need for a small cap index," he says.

The Chicago Board Options Exchange tested the market this week, launching options on the S&P SmallCap 600 index. So far the contract has generated only a handful of trades. With 53 different futures and options contracts now offered on domestic stock indexes, options traders say the index market is reaching the point of overkill, and that many of the indices, particularly ones that focus on narrow industry sectors, do not have mass market appeal.

The S&P SmallCap 600 options will need to attract the attention of some very large fund managers to survive. They may get more attention this autumn, when the Chicago Mercantile Exchange rolls out a futures contract on the index.

"Options traders need something to use to hedge their risk, and many don't want to get involved in outright stock positions, so a futures contract would help," said Mr Merrilees.

Standard and Poor's, meanwhile, has even more indices on the drawing board. In a few months the company intends to introduce a "super composite index" that will track the stock market as a whole. It will combine the benchmark S&P 500, the MidCap 400 and the SmallCap 600, for a composite of 1,500 stocks.

"The 1,500 stocks in the super composite will reflect all 4,500 stocks traded on the New York Stock Exchange," says Mr John Zwingli, Standard and Poor's vice-president for equities services, and represent 87 per cent of its market capitalisation.

# Traders braced for eurodollar offering from Italy

By Antonia Sharpe

With the ink barely dry on its enormous euroyen deal, Italy is believed to be taking soundings from the market on a possible eurodollar transaction.

Syndicate managers said Italy would ideally like to launch the deal before the end of the summer. Given that the eurobond market tends to close down during August, Italy has about seven weeks at its disposal.

### INTERNATIONAL BONDS

Although a bidding group has not yet been set up, one option which Italy is thought to be considering is a $3bn two-tranche offering, one with a maturity of five years and the other with a 10-year maturity. If any mandate is forthcoming it is expected to be awarded to a house which has not led a dollar transaction for Italy recently. Italy has met more than half of this year's foreign-currency needs of $10bn-$12bn equivalent with its Y550bn three-tranche deal. Two large transactions in dollars and D-Marks would complete the programme.

Syndicate managers said Italy was also considering an offering in D-Marks but that it might have missed the boat given the flood of D-Mark issuance yesterday.

Another offering in the pipeline which was greeted with some surprise yesterday is a likely £75m 10-year offering for Mr Tony O'Reilly's Independent Newspapers, which is unrated. Bankers Trust is arranging the deal, which is expected early next week.

Merrill Lynch is bringing a $200m five-year offering for Xerox today at a spread of about 50 basis points over treasuries. It is also arranging a debut floating-rate offering for NationsBank, the fourth-largest US banking company. The five-year deal, with a margin over Libor in the mid-20s, will raise at least $500m. Mr John Mack, NationsBank's treasurer, said proceeds would fund the bank's non-bank consumer and commercial financing operation.

L-Bank's DM1.5bn offering of 10-year global bonds duly dominated the D-Mark sector, which was in danger of becoming saturated after yesterday's DM3bn worth of issuance.

However, the fact that the bonds were priced to yield 24 basis points over German government bonds, as opposed to the original talk of 20 basis points, suggested that demand from Asia for D-Mark paper was not as ferocious as some syndicate managers would like.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | | |
| BBV International Finance‡ | 100 | (a,s) | 99.62R | Sep.2004 | 0.50R | - | Salomon Brothers Intl. |
| **STERLING** | | | | | | | |
| European Investment Bank(b) | 100 | 8.50 | 103.529 | Nov.2001 | 0.25 | +7(7%-01) | HSBC Markets |
| **D-MARKS** | | | | | | | |
| Baden-Württemberg L-Finance | 1.5bn | 6.75 | 99.76R | Jun.2005 | 0.325R | +24(6¾%-05) | Dresdner/ Morgan Stanley |
| National Bank of Hungary | 500 | 9.00 | 99.75L | Jun.2001 | 0.50L | +244(8¾%-01) | Deutsche Bank |
| International Finance Corp. | 500 | 5.75 | 99.881R | Jul.2000 | 0.25R | +20(6½%-00) | Deutsche/ JP Morgan |
| Deutsche Ausgleichsbank | 300 | 6.75 | 102.15 | Jul.2005 | 2.50 | - | Bayerische Landesbank |
| GECC | 200 | 5.875 | 99.937R | Jul.2000 | 0.25R | +27(6½%-00) | JP Morgan |
| **SWISS FRANCS** | | | | | | | |
| Trance Telecom | 150 | 4.625 | 103.40 | Jul.1999 | 1.75 | - | Credit Suisse |
| **CANADIAN DOLLARS** | | | | | | | |
| LB Rheinland Pfalz | 100 | 8.00 | 99.075R | Jul.2005 | 0.35R | +24(9%-04) | Paribas Capital Markets |
| **LUXEMBOURG FRANCS** | | | | | | | |
| Kredietbank Luxembourg | 2bn | 6.50 | 102.45 | Jul.2001 | 1.875 | - | Kredietbank Luxembourg |
| Cregem International Bank(s) | 2bn | 6.50 | 102.45 | Jun.2001 | 1.875 | - | Cregem International Bank |

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. L: Pricing level. a) 6-mth Libor +40bp. b) Fungible with £200m. Plus 225 days accrued. s) Short 1st coupon.

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 7.500 | 07/05 | 91.7800 | -0.820 | 8.74 | 8.95 | 9.68 |
| Austria | | 7.000 | 05/05 | 100.8100 | -0.020 | 6.88 | 6.92 | 7.65 |
| Belgium | | 6.500 | 03/05 | 95.5000 | +0.030 | 7.15 | 7.37 | 7.87 |
| Canada * | | 9.000 | 12/04 | 107.0000 | -0.350 | 7.93 | 8.15 | 8.82 |
| Denmark | | 7.000 | 12/04 | 93.2000 | -0.440 | 8.04 | 8.12 | 8.64 |
| France | BTAN | 7.750 | 04/00 | 104.7500 | +0.880 | 6.65 | 7.00 | 7.41 |
| | OAT | 7.500 | 04/05 | 101.2100 | -0.340 | 7.32 | 7.45 | 7.79 |
| Germany Bund | | 8.875 | 05/05 | 102.4000 | -0.320 | 6.54 | 6.65 | 7.04 |
| Ireland | | 6.250 | 10/04 | 87.3500 | -0.250 | 8.23 | 8.35 | 8.83 |
| Italy | | 8.500 | 01/05 | 86.7300 | -0.780 | 11.86† | 11.97 | 12.80 |
| Japan | No 119 | 4.600 | 06/99 | 110.4860 | +0.160 | 1.99 | 2.06 | 2.61 |
| | No 174 | 4.600 | 09/04 | 113.1620 | -0.340 | 2.81 | 2.73 | 3.42 |
| Netherlands | | 7.000 | 05/05 | 102.3800 | -0.360 | 6.67 | 6.73 | 7.11 |
| Portugal | | 11.875 | 02/05 | 100.0100 | -0.310 | 11.85 | 11.86 | 12.27 |
| Spain | | 10.000 | 02/05 | 92.3100 | -1.110 | 11.31 | 11.56 | 11.99 |
| Sweden | | 8.000 | 02/05 | 74.6360 | -0.190 | 10.25 | 10.54 | 11.23 |
| UK Gilts | | 8.000 | 08/99 | 95-00 | -10/32 | 7.42 | 7.67 | 8.29 |
| | | 8.500 | 12/05 | 105-05 | -19/32 | 7.77 | 7.92 | 8.43 |
| | | 9.000 | 10/08 | 109-20 | -20/32 | 7.82 | 7.96 | 8.43 |
| US Treasury * | | 6.500 | 05/05 | 102-30 | -7/32 | 6.10 | 6.32 | 7.09 |
| | | 7.625 | 02/25 | 114-18 | -3/32 | 6.51 | 6.69 | 7.37 |
| ECU (French Govt) | | 8.000 | 04/04 | 89.6500 | -0.290 | 7.61 | 7.75 | 8.15 |

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

Lunchtime

| | | Treasury Bills and Bond Yields | | | |
|---|---|---|---|---|---|
| | | One month | 5.87 | Two year | 5.60 |
| Prime rate | 9 | Two month | 5.63 | Three year | 5.69 |
| Broker loan rate | 6½ | Three month | 5.68 | Five year | 5.85 |
| Fed.funds | 6⅛ | Six month | 5.63 | 10-year | 6.10 |
| Fed.funds at intervention | - | One year | 5.54 | 30-year | 6.51 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 116.84 | 116.58 | -0.42 | 116.92 | 116.58 | 133,401 | 102,713 |
| Sep | 116.42 | 116.16 | -0.42 | 118.48 | 116.20 | 32,624 | 68,501 |
| Dec | 116.20 | 115.98 | -0.38 | 116.20 | 116.04 | 260 | 2,106 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | CALLS Jul | CALLS Sep | CALLS Dec | PUTS Jul | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|
| 114 | - | 2.74 | - | 0.07 | 0.49 | - |
| 115 | - | 2.05 | 2.31 | 0.21 | 0.79 | 1.32 |
| 116 | 0.75 | 1.39 | 1.76 | 0.55 | 1.17 | - |
| 117 | 0.36 | 0.91 | - | - | - | - |
| 118 | 0.14 | 0.60 | - | - | - | - |

Est. vol. total, Calls N/A Puts N/A. Previous day's open int., Calls 147,040 Puts 128,898

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 96.23 | 96.22 | -0.12 | 96.30 | 96.11 | 8392 | 9922 |
| Sep | 95.68 | 95.42 | -0.41 | 95.79 | 95.36 | 124299 | 165657 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | CALLS Jul | CALLS Aug | CALLS Sep | CALLS Dec | PUTS Jul | PUTS Aug | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 9500 | 0.69 | 0.97 | 1.18 | 1.28 | 0.27 | 0.55 | 0.74 | 1.34 |
| 9550 | 0.40 | 0.70 | 0.88 | 1.05 | 0.48 | 0.78 | 0.97 | 1.61 |
| 9600 | 0.21 | 0.49 | 0.67 | 0.86 | 0.79 | 1.07 | 1.25 | 1.92 |

Est. vol. total, Calls 8464 Puts 5573. Previous day's open int., Calls 145664 Puts 110284

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 101.20 | 100.27 | -1.13 | 101.28 | 100.18 | 39818 | 39039 |
| Dec | | 99.87 | -1.13 | | | 0 | 0 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | CALLS Sep | CALLS Dec | PUTS Sep | PUTS Dec |
|---|---|---|---|---|
| 10000 | 2.13 | 2.88 | 1.86 | 3.01 |
| 10050 | 1.85 | 2.65 | 2.08 | 3.28 |
| 10100 | 1.62 | 2.43 | 2.35 | 3.56 |

Est. vol. total, Calls 5850 Puts 1941. Previous day's open int., Calls 20857 Puts 13694

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 87.87 | 86.98 | -1.07 | 87.99 | 86.84 | 107,125 | 36,130 |
| Sep | 87.80 | 86.75 | -0.78 | 87.80 | 86.65 | 3,897 | 8,861 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 109-02 | 108-23 | -0-19 | 109-02 | 108-21 | 2174 | 20680 |
| Sep | 108-19 | 108-07 | -0-19 | 108-22 | 108-04 | 46626 | 106981 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | CALLS Jul | CALLS Aug | CALLS Sep | CALLS Dec | PUTS Jul | PUTS Aug | PUTS Sep | PUTS Dec |
|---|---|---|---|---|---|---|---|---|
| 108 | 0-57 | 1-23 | 1-45 | 2-10 | 0-43 | 1-09 | 1-31 | 2-28 |
| 109 | 0-28 | 0-57 | 1-14 | 1-47 | 1-14 | 1-43 | 2-00 | 3-01 |
| 110 | 0-12 | 0-35 | 0-54 | 1-23 | 1-62 | 2-21 | 2-40 | 3-41 |

Est. vol. total, Calls 1543 Puts 2228. Previous day's open int., Calls 31036 Puts 30268

#### Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 87.06 | 86.86 | -0.26 | 87.06 | 86.86 | 2,900 | 8,978 |
| Sep | 86.86 | 86.58 | -0.28 | 86.86 | 86.58 | 923 | 1,893 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 115-00 | 114-29 | -0-04 | 115-02 | 114-23 | 40,002 | 134,911 |
| Sep | 114-23 | 114-17 | -0-05 | 114-27 | 114-11 | 350,932 | 272,379 |
| Dec | 114-03 | 114-03 | -0-05 | 114-05 | 113-29 | 5,221 | 16,643 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Sep | 119.80 | | | 119.97 | 119.81 | 3063 | 0 |

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Wed Jun 7 | Day's change % | Tue Jun 6 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 1 Up to 5 years (23) | 122.73 | -0.08 | 122.83 | 2.41 | 4.27 |
| 2 5-15 years (21) | 147.08 | -0.39 | 147.98 | 1.83 | 5.76 |
| 3 Over 15 years (9) | 186.11 | -0.56 | 187.05 | 1.96 | 6.08 |
| 4 Irredeemables (6) | 191.40 | +0.03 | 191.34 | 1.26 | 6.36 |
| 5 All stocks (59) | 143.15 | -0.32 | 143.78 | 2.09 | 5.31 |

| | Low coupon yield Jun 7 | Low Jun 6 | Low Yr. ago | Medium coupon yield Jun 7 | Medium Jun 6 | Medium Yr. ago | High coupon yield Jun 7 | High Jun 6 | High Yr. ago |
|---|---|---|---|---|---|---|---|---|---|
| 5 yrs | 7.50 | 7.43 | 8.09 | 7.52 | 7.45 | 8.30 | 7.57 | 7.50 | 8.42 |
| 15 yrs | 7.83 | 7.77 | 8.33 | 7.83 | 7.77 | 8.46 | 7.97 | 7.91 | 8.78 |
| 20 yrs | 7.83 | 7.78 | 8.31 | 7.85 | 7.79 | 8.46 | 7.95 | 7.90 | 8.59 |
| Irred.† | 7.86 | 7.85 | 8.43 | | | | | | |

| Index-linked | Wed Jun 7 | Day's change % | Tue Jun 6 | Accrued interest | xd adj. ytd |
|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 196.03 | -0.07 | 196.15 | 0.94 | 2.57 |
| 7 Over 5 years (11) | 187.41 | -0.27 | 187.92 | 1.36 | 1.73 |
| 8 All stocks (13) | 187.43 | -0.25 | 187.90 | 1.32 | 1.81 |

| | Inflation 5% Jun 7 | Inflation 5% Jun 6 | Inflation 5% Yr. ago | Inflation 10% Jun 7 | Inflation 10% Jun 6 | Inflation 10% Yr. ago |
|---|---|---|---|---|---|---|
| Up to 5 yrs | 3.03 | 2.98 | 3.74 | 1.52 | 1.46 | 2.78 |
| Over 5 yrs | 3.54 | 3.51 | 3.77 | 3.35 | 3.33 | 3.59 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Jun 7 | Jun 6 | Jun 5 | Jun 2 | Jun 1 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 95.00 | 95.20 | 95.51 | 95.24 | 94.61 | 92.92 | 95.51 | 90.22 |
| Fixed Interest | 114.66 | 114.64 | 114.60 | 113.96 | 113.55 | 110.23 | 114.66 | 108.77 |

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Jun 6 | Jun 5 | Jun 2 | Jun 1 | May 31 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 90.7 | 152.8 | 87.5 | 88.8 | 108.4 |
| 5-day average | 105.8 | 109.6 | 100.0 | 128.1 | 128.5 |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on June 7

[illegible]

## UK GILTS PRICES

[illegible]

# CURRENCIES AND MONEY

**MARKETS REPORT**

# D-Mark makes up ground on European currencies

The recent rally of some peripheral European currencies against the D-Mark lost momentum yesterday as worries about political risk returned to trouble the markets, *writes Philip Gawith.*

The D-Mark finished higher across the board in Europa, with the lira, peseta and Swedish krona all giving up the gains made on Tuesday. The French franc also lost ground, closing in London at FFr3.516, from FFr3.504, against the D-Mark.

The D-Mark did not appear inhibited by the one basis point cut in the repo rate to 4.5 per cent from 4.51 per cent, which was not seen as signalling any change in the outlook for German monetary policy.

Trading conditions were very quiet with the market short of trends or fresh information to help provide direction. The dollar, in particular, has been confined to a very narrow range, although it lost ground in New York on vague rumours about Argentina defaulting on debt payments.

It finished at DM1.4074, from DM1.4188. Against the yen it closed at Y84.34 from Y85.235.

UK interest rates stayed on hold, but the fact that the monthly monetary meeting was only held at midday meant that there was some residual concern that the Bank might still mova rates today. Sterling closed at DM2.2406 from DM2.2528, and at $1.592, from $1.5879, against the dollar.

■ The one piece of hard news that did emerge on the dollar was not encouraging. The Japanese ministry of finance said that public funds would not be used in a forthcoming package of policies to deal with the problem of bad loans beid by financial institutions.

Comments last week had given rise to hopes that MOF might indeed go this route. Mr Chris Turner, currency strategist at BZW in London, said: "It is disappointing because it suggests they are still not ready to address the deflationary cycle. This promises another bout of yen strength in the summer."

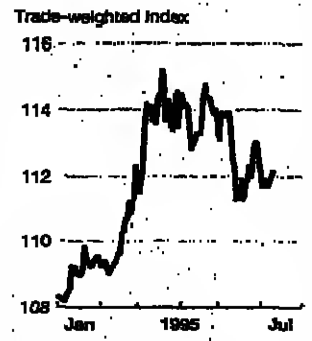
Some observers believe that if Japanese banks were unburdened of their bad debts, this would boost liquidity in the domestic market, which in turn would encourage Japanese institutions to invest abroad, redncing some of the yen's strength.

Mr Avinash Persaud, head of currency strategy at JP Morgan in London, said seasonal factors could be contributing to dollar weakness, especially in the absence of other strong trends for the market to follow. Evidence over the past 20 years suggests distinct seasonal patterns to dollar trading, perhaps the result of corporate hedging. The summer period is traditionally a weak one for the dollar.

Mr Neil MacKinnon, chief economist at Citibank in London, said the bank's volume analysis showed that the market was slightly long of dollars at present, but was not enthusiastic about going on a dollar buying spree.

**D-Mark**

Trade-weighted index




Source: Datastream

■ In Europe, the market seems to have drawn a line below D-Mark weakness. Moves below FFr3.50, Pta86 and L1,150 could not be sustained.

The peseta weakened against a backdrop of rumours calling into question the continued commitment of the Catalan party to supporting the government. In Italy, the concern was that a successful performance by Mr Berlusconi in Sunday's referendum could present an obstacle to the successful passage of economic reforms proposed by Mr Lamberto Dini, the incumbent prime minister.

Mr Turner said the performance of these currencies perhaps reflected that the bond market rally they have enjoyed was petering out. It also served as a reminder that markets are quick to take profits when it comes to the peripheral currencies.

■ UK interest rate markets retreated, with the September short sterling contract closing at 93.04, from 93.15.

"The market has got a little bit ahead of itself in the past few days. The yield curve has become too flat," said Mr Phillips, analyst at brokers GNI.

In its daily operations, the Bank of England provided £166m at established rates and £420m late assistance after forecasting a £700m shortage. Three month money traded at 6 3/4 per cent, up from 6 19/32 per cent.

CORRECTION: Foreign Exchange Survey: Dow Jones' electronic broking system referred to on page 6 in the above survey (June 6) is Minex, not Nimex as incorrectly stated.

■ **Pound in New York**

| Jun 7 | Latest | Prev. close |
|---|---|---|
| £ spot | 1.5905 | 1.5925 |
| 1 mth | 1.5900 | 1.5920 |
| 3 mth | 1.5882 | 1.5902 |
| 1 yr | 1.5716 | 1.5743 |

■ **OTHER CURRENCIES**

| Jun 7 | £ | $ |
|---|---|---|
| Hungary | 194.513 - 194.715 | 122.220 - 122.270 |
| Iran | 4777.50 - 4774.50 | 3000.00 - 3000.00 |
| Kuwait | 0.4754 - 0.4760 | 0.2987 - 0.2989 |
| Poland | 3.7305 - 3.7352 | 2.3440 - 2.3455 |
| Russia | 7827.14 - 7827.00 | 4915.00 - 4918.00 |
| U.A.E. | 5.8451 - 5.8494 | 3.6727 - 3.6731 |

## POUND SPOT FORWARD AGAINST THE POUND

| Jun 7 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 15.7557 | -0.0852 | 468 - 645 | 15.7972 | 15.7283 | 15.7326 | 1.8 | 15.6853 | 1.8 | - | - | 107.1 |
| Belgium | (BFr) | 46.0088 | -0.2445 | 864 - 312 | 46.1110 | 45.9500 | 45.9438 | 1.7 | 45.8138 | 1.7 | 45.2038 | 1.7 | 109.8 |
| Denmark | (DKr) | 8.7461 | -0.0332 | 397 - 524 | 8.7585 | 8.7301 | 8.7497 | -0.5 | 8.7415 | 0.2 | 8.7106 | 0.4 | 110.1 |
| Finland | (FM) | 6.8596 | -0.0341 | 535 - 657 | 6.8790 | 6.8480 | - | - | - | - | - | - | 87.3 |
| France | (FFr) | 7.8804 | -0.0151 | 763 - 845 | 7.8940 | 7.8553 | 7.8883 | -1.2 | 7.8989 | -0.6 | 7.8685 | 0.2 | 108.4 |
| Germany | (DM) | 2.2406 | -0.0122 | 394 - 416 | 2.2478 | 2.2353 | 2.2372 | 1.8 | 2.2294 | 2.0 | 2.19 | 2.8 | 112.1 |
| Greece | (Dr) | 359.872 | -1.078 | 679 - 064 | 360.380 | 358.952 | - | - | - | - | - | - | 68.8 |
| Ireland | (I£) | 0.9800 | -0.0008 | 791 - 809 | 0.9815 | 0.9776 | 0.9795 | 0.5 | 0.9794 | 0.2 | 0.9797 | 0.0 | 97.2 |
| Italy | (L) | 2615.68 | +18.73 | 324 - 807 | 2618.07 | 2586.49 | 2625.16 | -4.4 | 2642.86 | -4.1 | 2714.16 | -3.8 | 67.5 |
| Luxembourg | (LFr) | 46.0088 | -0.2445 | 864 - 312 | 46.1110 | 45.9500 | 45.9438 | 1.7 | 45.8138 | 1.7 | 45.2038 | 1.7 | 109.8 |
| Netherlands | (Fl) | 2.5057 | -0.0134 | 042 - 072 | 2.5152 | 2.5022 | 2.5016 | 2.0 | 2.4979 | 1.2 | 2.4455 | 2.4 | 109.7 |
| Norway | (NKr) | 9.9775 | -0.0387 | 707 - 842 | 10.0098 | 9.9573 | 9.9688 | 1.0 | 9.9452 | 1.3 | 9.8178 | 1.6 | 98.8 |
| Portugal | (Es) | 235.608 | -0.871 | 447 - 770 | 236.045 | 235.375 | 234.743 | 4.4 | 237.915 | -3.9 | - | - | 95.6 |
| Spain | (Pta) | 194.272 | +0.713 | 131 - 412 | 194.412 | 193.327 | 194.772 | -3.1 | 195.847 | -3.2 | 200.872 | -3.4 | 81.1 |
| Sweden | (SKr) | 11.4962 | +0.0175 | 847 - 077 | 11.5246 | 11.4455 | 11.4985 | -0.2 | 11.503 | -0.2 | 11.5216 | -0.2 | 78.6 |
| Switzerland | (SFr) | 1.8433 | -0.0181 | 423 - 443 | 1.8527 | 1.8396 | 1.8386 | 3.0 | 1.8283 | 3.2 | 1.7803 | 3.4 | 113.7 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 84.2 |
| Ecu | - | 1.2124 | -0.0043 | 116 - 131 | 1.2149 | 1.2090 | 1.2125 | 0.0 | 1.2112 | 0.4 | 1.204 | 0.7 | - |
| SDR† | - | 1.021300 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5916 | +0.0042 | 912 - 923 | 1.5925 | 1.5875 | - | - | - | - | - | - | - |
| Brazil | (R$) | 1.4496 | +0.0116 | 483 - 508 | 1.4508 | 1.4415 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1968 | +0.0055 | 952 - 973 | 2.1998 | 2.1814 | 2.1988 | -1.4 | 2.2016 | -1.0 | 2.1924 | 0.2 | 82.0 |
| Mexico | (New Peso) | 9.7351 | +0.0174 | 922 - 780 | 9.7780 | 9.7021 | - | - | - | - | - | - | - |
| USA | ($) | 1.5920 | +0.0041 | 915 - 925 | 1.5928 | 1.5877 | 1.5915 | 0.4 | 1.5897 | 0.6 | 1.5739 | 1.1 | 88.6 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 2.2116 | +0.0073 | 104 - 133 | 2.2133 | 2.2101 | 2.2141 | -1.2 | 2.2175 | -1.0 | 2.2268 | -0.7 | 77.7 |
| Hong Kong | (HK$) | 12.3126 | +0.0306 | 083 - 169 | 12.3184 | 12.2812 | 12.3086 | 0.4 | 12.2982 | 0.4 | 12.2323 | 0.7 | - |
| India | (Rs) | 49.9984 | +0.1478 | 731 - 236 | 50.0236 | 49.8470 | - | - | - | - | - | - | - |
| Israel | (Shk) | 4.7694 | -0.0090 | 637 - 751 | 4.7798 | 4.7572 | - | - | - | - | - | - | - |
| Japan | (Y) | 134.269 | -1.072 | 164 - 375 | 134.810 | 133.940 | 133.704 | 5.0 | 132.449 | 5.4 | 126.589 | 5.7 | 170.5 |
| Malaysia | (M$) | 3.8829 | +0.0121 | 809 - 646 | 3.8880 | 3.8721 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.3685 | +0.008 | 665 - 705 | 2.3705 | 2.3662 | 2.3739 | -2.5 | 2.3824 | -2.3 | 2.389 | -1.3 | 98.8 |
| Philippines | (Peso) | 41.0339 | -0.0121 | 016 - 661 | 41.1661 | 40.9018 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.9715 | +0.0157 | 692 - 738 | 5.9741 | 5.9553 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.2156 | +0.0021 | 141 - 171 | 2.2171 | 2.2104 | - | - | - | - | - | - | - |
| South Africa | (R) | 5.8534 | +0.0128 | 504 - 564 | 5.8564 | 5.8387 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1211.27 | +2.2 | 081 - 173 | 1211.80 | 1208.08 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 40.8921 | +0.1002 | 729 - 113 | 40.9113 | 40.7880 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 39.2349 | +0.0364 | 986 - 711 | 39.2711 | 39.1690 | - | - | - | - | - | - | - |

† Rates for Jun 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Jun 7 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | low | One month Rate | %PA | Three months Rate | %PA | One year Rate | %PA | J.P Morgan index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 9.8968 | -0.0795 | 943 - 992 | 9.9350 | 9.8920 | 9.8848 | 1.5 | 9.8648 | 1.3 | 9.7703 | 1.3 | 106.7 |
| Belgium | (BFr) | 28.9000 | -0.2295 | 950 - 050 | 29.0000 | 28.8850 | 28.865 | 1.5 | 28.81 | 1.2 | 28.68 | 0.7 | 109.2 |
| Denmark | (DKr) | 5.4938 | -0.0352 | 915 - 960 | 5.5102 | 5.4849 | 5.4978 | -0.8 | 5.5058 | -0.9 | 5.5413 | -0.6 | 108.9 |
| Finland | (FM) | 4.3088 | -0.0327 | 063 - 113 | 4.3304 | 4.3022 | 4.307 | 0.5 | 4.3038 | 0.5 | 4.3033 | 0.1 | 86.0 |
| France | (FFr) | 4.9500 | -0.0225 | 490 - 510 | 4.9685 | 4.9429 | 4.9565 | -1.5 | 4.969 | -1.5 | 4.999 | -1.0 | 107.7 |
| Germany | (DM) | 1.4074 | -0.0114 | 071 - 077 | 1.4137 | 1.4046 | 1.4057 | 1.4 | 1.4024 | 1.4 | 1.3917 | 1.1 | 110.9 |
| Greece | (Dr) | 226.050 | -1.27 | 000 - 100 | 226.740 | 225.860 | 228.05 | -10.6 | 231.8 | -10.2 | 247.55 | -9.5 | 67.9 |
| Ireland | (I£) | 1.6245 | +0.0055 | 235 - 255 | 1.6264 | 1.6202 | 1.6251 | -0.4 | 1.6269 | -0.6 | 1.6317 | -0.4 | - |
| Italy | (L) | 1643.00 | +7.5 | 200 - 400 | 1642.75 | 1627.50 | 1649.5 | -4.7 | 1662.25 | -4.7 | 1722.5 | -4.6 | 68.0 |
| Luxembourg | (LFr) | 28.9000 | -0.2295 | 950 - 050 | 29.0000 | 28.8850 | 28.865 | 1.5 | 28.81 | 1.2 | 28.69 | 0.7 | 109.2 |
| Netherlands | (Fl) | 1.5740 | -0.0125 | 735 - 744 | 1.5819 | 1.5723 | 1.5719 | 1.6 | 1.5679 | 1.5 | 1.5558 | 1.2 | 108.9 |
| Norway | (NKr) | 6.2673 | -0.0407 | 650 - 695 | 6.2927 | 6.2554 | 6.2685 | -0.2 | 6.2613 | 0.4 | 6.2538 | 0.2 | 97.5 |
| Portugal | (Es) | 147.995 | -0.935 | 940 - 050 | 148.520 | 147.900 | 148.445 | -3.6 | 146.445 | -3.8 | 155.245 | -4.8 | 95.6 |
| Spain | (Pta) | 122.030 | +0.13 | 980 - 080 | 122.080 | 121.630 | 122.37 | -3.3 | 123.17 | -3.7 | 127.505 | -4.5 | 80.6 |
| Sweden | (SKr) | 7.2213 | -0.0078 | 163 - 262 | 7.2459 | 7.2007 | 7.237 | -2.6 | 7.2728 | -2.9 | 7.4588 | -3.3 | 78.0 |
| Switzerland | (SFr) | 1.1579 | -0.0131 | 576 - 581 | 1.1645 | 1.1561 | 1.1553 | 2.7 | 1.1503 | 2.6 | 1.1333 | 2.1 | 112.1 |
| UK | (£) | 1.5920 | +0.0041 | 915 - 925 | 1.5928 | 1.5877 | 1.5916 | 0.4 | 1.5897 | 0.6 | 1.5739 | 1.1 | 93.7 |
| Ecu | - | 1.3132 | +0.0081 | 128 - 136 | 1.3156 | 1.3102 | 1.313 | 0.1 | 1.3129 | 0.1 | 1.3089 | 0.3 | - |
| SDR† | - | 0.64220 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9999 | - | 998 - 999 | 0.9999 | 0.9998 | - | - | - | - | - | - | - |
| Brazil | (R$) | 0.9105 | +0.005 | 100 - 110 | 0.9110 | 0.9080 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3796 | -0.0001 | 793 - 798 | 1.3820 | 1.3793 | 1.3811 | -1.8 | 1.3842 | -1.3 | 1.3961 | -1.2 | 80.5 |
| Mexico | (New Peso) | 6.1150 | -0.005 | 900 - 400 | 6.1700 | 6.0900 | 6.1173 | -0.4 | 6.1204 | -0.4 | 6.1253 | -0.2 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 90.2 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.3883 | +0.001 | 889 - 899 | 1.3920 | 1.3889 | 1.3909 | -1.4 | 1.3948 | -1.6 | 1.416 | -1.9 | 79.0 |
| Hong Kong | (HK$) | 7.7341 | -0.0009 | 338 - 343 | 7.7353 | 7.7338 | 7.7323 | 0.3 | 7.7316 | 0.1 | 7.7476 | -0.2 | - |
| India | (Rs) | 31.4060 | +0.011 | 000 - 120 | 31.4250 | 31.3800 | 31.486 | -3.1 | 31.731 | -4.1 | - | - | - |
| Israel | (Shk) | 2.9959 | -0.014 | 932 - 985 | 3.0070 | 2.9911 | - | - | - | - | - | - | - |
| Japan | (Y) | 84.3400 | -0.895 | 000 - 800 | 84.8200 | 84.3000 | 84.005 | 4.6 | 83.34 | 4.7 | 80.635 | 4.4 | 170.0 |
| Malaysia | (M$) | 2.4390 | +0.0012 | 385 - 395 | 2.4425 | 2.4374 | 2.437 | 1.0 | 2.4346 | 0.7 | 2.429 | 0.4 | - |
| New Zealand | (NZ$) | 1.4877 | -0.0019 | 870 - 885 | 1.4903 | 1.4870 | 1.4911 | -2.7 | 1.4979 | -2.7 | 1.5171 | -2.0 | - |
| Philippines | (Peso) | 25.7750 | -0.075 | 000 - 500 | 25.8500 | 25.7000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7510 | +0.0002 | 507 - 512 | 3.7512 | 3.7507 | 3.7519 | -0.3 | 3.754 | -0.3 | 3.766 | -0.4 | - |
| Singapore | (S$) | 1.3917 | -0.0023 | 912 - 922 | 1.3935 | 1.3912 | 1.3864 | 4.5 | 1.3782 | 3.9 | 1.3517 | 2.9 | - |
| South Africa | (R) | 3.6768 | -0.0015 | 760 - 775 | 3.6800 | 3.6760 | 3.6978 | -6.9 | 3.7488 | -7.8 | 4.0048 | -8.9 | - |
| South Korea | (Won) | 780.850 | -0.6 | 800 - 900 | 781.100 | 780.800 | 783.85 | -4.7 | 787.35 | -3.4 | 795.85 | -3.5 | - |
| Taiwan | (T$) | 25.6960 | -0.004 | 820 - 900 | 25.6930 | 25.6785 | 25.706 | -0.9 | 25.746 | -0.9 | - | - | - |
| Thailand | (Bt) | 24.6450 | -0.0415 | 300 - 600 | 24.6700 | 24.6300 | 24.668 | -1.0 | 24.6925 | -0.8 | 24.78 | -0.5 | - |

† SDR rate per $ for Jun 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jun 6. Base average 1990=100

## WORLD INTEREST RATES

### MONEY RATES

| June 7 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 4 1/2 | 4 5/8 | 4 11/16 | 4 3/4 | 5 | 7.40 | 4.00 | - |
| week ago | 4 13/16 | 4 5/8 | 4 13/16 | 5 1/16 | 5 1/4 | 7.40 | 4.00 | - |
| France | 7 5/8 | 7 3/4 | 7 1/4 | 6 13/16 | 6 5/8 | 5.00 | - | 8.00 |
| week ago | 7 5/8 | 7 3/4 | 7 1/2 | 7 1/8 | 6 3/4 | 5.00 | - | 8.00 |
| Germany | 4 1/2 | 4 13/16 | 4 13/16 | 4 3/4 | 4 3/4 | 6.00 | 4.00 | 4.51 |
| week ago | 4 1/2 | 4 3/4 | 4 1/2 | 4 5/8 | 4 3/4 | 6.00 | 4.00 | 4.51 |
| Ireland | 6 1/4 | 6 3/4 | 6 1/2 | 6 11/16 | 6 5/8 | - | - | 6.25 |
| week ago | 6 3/8 | 6 3/4 | 6 13/16 | 6 13/16 | 7 1/8 | - | - | 6.25 |
| Italy | 10 1/2 | 10 13/16 | 10 7/8 | 10 3/4 | 10 7/8 | - | 7.50 | 10.40 |
| week ago | 10 1/4 | 10 5/8 | 10 13/16 | 10 3/4 | 11 | - | 7.50 | 10.40 |
| Netherlands | 4 1/4 | 4 5/8 | 4 5/8 | 4 5/8 | 4 3/4 | - | 5.25 | - |
| week ago | 4 5/8 | 4 5/8 | 4 3/4 | 4 7/8 | 4 5/8 | - | 5.25 | - |
| Switzerland | 3 | 3 5/8 | 3 1/4 | 3 13/16 | 3 5/8 | 5.625 | 3.00 | - |
| week ago | 2 7/8 | 3 3/8 | 3 5/8 | 3 3/4 | 3 1/2 | 5.625 | 3.00 | - |
| US | 6 | 5 15/16 | 5 7/8 | 5 3/4 | 5 11/16 | - | 5.25 | - |
| week ago | 6 1/8 | 5 15/16 | 6 | 6 | 5 15/16 | - | 5.25 | - |
| Japan | 1 1/4 | 1 1/4 | 1 1/8 | 1 1/8 | 1 1/8 | - | 1.00 | - |
| week ago | 1 3/4 | 1 1/4 | 1 1/4 | 1 1/8 | 1 1/4 | - | 1.00 | - |
| ■ **$ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | 6 1/8 | 5 15/16 | 5 13/16 | 5 3/4 | - | - | - |
| week ago | - | 6 1/8 | 6 1/8 | 6 | 6 | - | - | - |
| US Dollar CDs | - | 5.80 | 5.73 | 5.61 | 5.58 | - | - | - |
| week ago | - | 5.80 | 5.77 | 5.73 | 5.73 | - | - | - |
| ECU Linked Ds | - | 6 1/8 | 6 1/8 | 6 3/8 | 6 1/4 | - | - | - |
| week ago | - | 6 1/4 | 6 3/8 | 6 1/4 | 6 1/4 | - | - | - |
| SDR Linked Ds | - | 3 13/16 | 3 13/16 | 3 7/8 | 3 7/8 | - | - | - |
| week ago | - | 3 13/16 | 4 1/16 | 4 1/8 | 4 1/8 | - | - | - |

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Jun 7 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 4 11/16 - 4 9/16 | 4 5/8 - 4 1/2 | 4 5/8 - 4 1/2 | 4 3/4 - 4 5/8 | 4 13/16 - 4 11/16 | 5 1/16 - 4 15/16 |
| Danish Krone | 6 1/2 - 6 | 6 5/8 - 6 3/8 | 6 3/4 - 6 1/2 | 6 3/4 - 6 1/2 | 6 3/4 - 6 1/2 | 6 3/4 - 6 1/2 |
| D-Mark | 4 5/8 - 4 1/2 | 4 9/16 - 4 7/16 | 4 1/2 - 4 3/8 | 4 7/16 - 4 5/16 | 4 7/16 - 4 5/16 | 4 1/2 - 4 3/8 |
| Dutch Guilder | 4 9/16 - 4 7/16 | 4 3/8 - 4 1/4 | 4 9/16 - 4 7/16 | 4 7/16 - 4 5/16 | 4 3/8 - 4 1/4 | 4 7/16 - 4 5/16 |
| French Franc | 7 9/16 - 7 7/16 | 7 9/16 - 7 7/16 | 7 7/16 - 7 5/16 | 7 1/4 - 7 1/8 | 6 13/16 - 6 11/16 | 6 9/16 - 6 7/16 |
| Portuguese Esc. | 9 1/8 - 8 15/16 | 9 1/16 - 8 15/16 | 8 3/4 - 8 5/8 | 10 1/16 - 9 3/4 | 10 1/2 - 10 3/8 | 11 1/8 - 10 7/8 |
| Spanish Peseta | 9 1/2 - 9 3/8 | 9 1/2 - 9 3/8 | 9 7/16 - 9 5/16 | 9 9/16 - 9 7/16 | 9 7/8 - 9 3/4 | 10 11/16 - 10 7/16 |
| Sterling | 6 7/8 - 6 5/8 | 6 1/4 - 6 1/8 | 6 7/16 - 6 3/8 | 6 13/16 - 6 21/32 | 6 3/4 - 6 11/16 | 7 1/16 - 6 15/16 |
| Swiss Franc | 3 1/8 - 3 | 3 1/4 - 3 1/8 | 3 1/4 - 3 1/8 | 3 5/16 - 3 3/16 | 3 3/8 - 3 1/4 | 3 7/16 - 3 5/16 |
| Can. Dollar | 7 7/16 - 7 1/4 | 7 7/16 - 7 1/4 | 7 5/16 - 7 3/16 | 7 3/16 - 7 1/16 | 7 - 6 7/8 | 6 7/8 - 6 3/4 |
| US Dollar | 6 1/16 - 5 15/16 | 6 1/16 - 5 15/16 | 6 - 5 7/8 | 5 15/16 - 5 13/16 | 5 13/16 - 5 11/16 | 5 3/4 - 5 5/8 |
| Italian Lira | 10 1/8 - 10 | 10 1/2 - 10 3/8 | 10 9/16 - 10 7/16 | 10 9/16 - 10 7/16 | 10 11/16 - 10 9/16 | 10 7/8 - 10 3/4 |
| Yen | 1 7/16 - 1 1/4 | 1 3/32 - 1 1/32 | 1 1/4 - 1 1/8 | 1 3/16 - 1 1/8 | 1 1/8 - 1 1/16 | 1 1/16 - 1 |
| Asian $Sing | 1/4 - 1/8 | 1/4 - 1/8 | 1/2 - 3/8 | 1 - 7/8 | 1 1/2 - 1 3/8 | 2 1/4 - 2 1/8 |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 92.83 | 92.61 | -0.70 | 92.88 | 92.80 | 13,606 | 32,548 |
| Sep | 93.82 | 93.77 | -0.10 | 93.85 | 93.73 | 22,204 | 51,508 |
| Dec | 94.07 | 94.07 | -0.04 | 94.09 | 94.03 | 8,963 | 34,209 |

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 95.59 | 95.58 | -0.01 | 95.59 | 95.57 | 8600 | 105576 |
| Sep | 95.70 | 95.69 | -0.03 | 95.71 | 95.66 | 13653 | 139885 |
| Dec | 95.62 | 95.61 | -0.04 | 95.64 | 95.58 | 22260 | 134648 |
| Mar | 95.55 | 95.51 | -0.06 | 95.56 | 95.49 | 17381 | 110506 |

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 89.45 | 89.32 | -0.15 | 89.46 | 89.29 | 8153 | 27181 |
| Sep | 89.44 | 89.29 | -0.17 | 89.47 | 89.23 | 10053 | 34230 |
| Dec | 89.40 | 89.28 | -0.16 | 89.41 | 89.22 | 3716 | 19250 |
| Mar | 89.41 | 89.29 | -0.15 | 89.41 | 89.26 | 1475 | 9752 |

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 96.73 | 96.72 | -0.02 | 96.74 | 96.70 | 1582 | 15896 |
| Sep | 96.74 | 96.71 | -0.03 | 96.76 | 96.68 | 2416 | 19617 |
| Dec | 96.62 | 96.59 | -0.05 | 96.63 | 96.57 | 674 | 7709 |
| Mar | 96.52 | 96.49 | -0.05 | 96.52 | 96.47 | 337 | 3801 |

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 93.87 | 93.85 | -0.05 | 93.87 | 93.85 | 788 | 6340 |
| Sep | 93.94 | 93.92 | -0.05 | 93.95 | 93.90 | 1253 | 8940 |
| Dec | 93.94 | 93.91 | -0.05 | 93.95 | 93.81 | 244 | 3495 |
| Mar | 93.85 | 93.84 | -0.03 | 93.87 | 93.83 | 196 | 1787 |

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

| Strike Price | CALLS Jun | Sep | Dec | PUTS Jun | Sep | Dec |
|---|---|---|---|---|---|---|
| 8925 | 0.20 | 0.54 | 0.72 | 0.13 | 0.50 | 0.69 |
| 8950 | 0.08 | 0.42 | 0.59 | 0.26 | 0.63 | 0.81 |
| 8975 | 0.03 | 0.31 | 0.48 | 0.46 | 0.77 | 0.95 |

Est. vol. total, Calls 815 Puts 375. Previous day's open int., Calls 7425 Puts 5145

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Jun 7 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.01 | 17.13 | 4.872 | 2.130 | 5687 | 5.448 | 21.69 | 512.2 | 422.4 | 24.98 | 4.007 | 2.174 | 4.774 | 3.461 | 292.0 | 2.635 |
| Denmark | (DKr) | 52.60 | 10 | 9.010 | 2.562 | 1.121 | 2991 | 2.865 | 11.41 | 269.4 | 222.2 | 13.14 | 2.107 | 1.143 | 2.511 | 1.820 | 153.6 | 1.386 |
| France | (FFr) | 58.38 | 11.10 | 10 | 2.844 | 1.244 | 3320 | 3.180 | 12.66 | 299.0 | 246.6 | 14.58 | 2.339 | 1.269 | 2.787 | 2.020 | 170.4 | 1.538 |
| Germany | (DM) | 20.53 | 3.903 | 3.516 | 1 | 0.437 | 1167 | 1.116 | 4.452 | 105.1 | 86.70 | 5.127 | 0.822 | 0.446 | 0.980 | 0.710 | 59.93 | 0.541 |
| Ireland | (I£) | 46.94 | 8.924 | 8.041 | 2.287 | 1 | 2669 | 2.557 | 10.16 | 240.4 | 198.3 | 11.72 | 1.881 | 1.020 | 2.241 | 1.624 | 137.0 | 1.237 |
| Italy | (L) | 1.758 | 0.334 | 0.301 | 0.086 | 0.037 | 100. | 0.096 | 0.381 | 9.006 | 7.427 | 0.439 | 0.070 | 0.038 | 0.084 | 0.061 | 5.134 | 0.046 |
| Netherlands | (Fl) | 18.36 | 3.490 | 3.144 | 0.894 | 0.391 | 1044 | 1 | 3.981 | 94.01 | 77.53 | 4.585 | 0.736 | 0.399 | 0.876 | 0.635 | 53.59 | 0.484 |
| Norway | (NKr) | 46.11 | 8.766 | 7.898 | 2.246 | 0.982 | 2622 | 2.512 | 10 | 236.1 | 194.7 | 11.52 | 1.847 | 1.002 | 2.201 | 1.596 | 134.6 | 1.215 |
| Portugal | (Es) | 19.52 | 3.712 | 3.345 | 0.951 | 0.416 | 1110 | 1.064 | 4.235 | 100. | 82.47 | 4.877 | 0.782 | 0.424 | 0.932 | 0.676 | 57.00 | 0.514 |
| Spain | (Pta) | 23.67 | 4.501 | 4.056 | 1.153 | 0.504 | 1346 | 1.290 | 5.135 | 121.3 | 100. | 5.914 | 0.949 | 0.515 | 1.130 | 0.816 | 69.12 | 0.624 |
| Sweden | (SKr) | 40.03 | 7.612 | 6.858 | 1.950 | 0.853 | 2277 | 2.181 | 8.683 | 205.0 | 169.1 | 10 | 1.604 | 0.870 | 1.911 | 1.386 | 116.9 | 1.055 |
| Switzerland | (SFr) | 24.96 | 4.746 | 4.276 | 1.216 | 0.532 | 1419 | 1.360 | 5.413 | 127.8 | 105.4 | 6.234 | 1 | 0.543 | 1.192 | 0.864 | 72.87 | 0.658 |
| UK | (£) | 46.00 | 8.746 | 7.880 | 2.241 | 0.980 | 2616 | 2.506 | 9.977 | 235.6 | 194.3 | 11.49 | 1.843 | 1 | 2.196 | 1.592 | 134.3 | 1.212 |
| Canada | (C$) | 20.95 | 3.983 | 3.588 | 1.020 | 0.446 | 1191 | 1.141 | 4.543 | 107.3 | 88.48 | 5.232 | 0.839 | 0.455 | 1 | 0.725 | 61.16 | 0.552 |
| US | ($) | 28.89 | 5.494 | 4.950 | 1.408 | 0.616 | 1643 | 1.574 | 6.267 | 148.0 | 122.0 | 7.217 | 1.158 | 0.628 | 1.379 | 1 | 84.36 | 0.761 |
| Japan | (Y) | 34.25 | 6.512 | 5.867 | 1.669 | 0.730 | 1948 | 1.866 | 7.429 | 175.4 | 144.7 | 8.555 | 1.372 | 0.745 | 1.635 | 1.185 | 100. | 0.902 |
| Ecu | | 37.95 | 7.216 | 6.502 | 1.849 | 0.809 | 2158 | 2.068 | 8.232 | 194.4 | 160.3 | 9.480 | 1.521 | 0.825 | 1.812 | 1.314 | 110.6 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.7090 | 0.7106 | +0.0026 | 0.7114 | 0.7078 | 21,926 | 60,284 |
| Sep | 0.7110 | 0.7133 | +0.0027 | 0.7142 | 0.7110 | 3,215 | 12,881 |
| Dec | - | 0.7150 | -0.0017 | 0.7150 | - | 103 | 1,454 |

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5m per Yen 100

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 1.1815 | 1.1861 | +0.0077 | 1.1811 | 1.1812 | 15,157 | 68,214 |
| Sep | 1.1965 | 1.2007 | +0.0081 | 1.2021 | 1.1960 | 3,601 | 10,187 |
| Dec | 1.2138 | 1.2138 | +0.0075 | 1.2138 | 1.2138 | 62 | 1,074 |

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 0.8608 | 0.8643 | +0.0050 | 0.8654 | 0.8593 | 16,986 | 22,875 |
| Sep | 0.8665 | 0.8698 | +0.0053 | 0.8708 | 0.8665 | 1,982 | 4,615 |
| Dec | 0.8710 | 0.8750 | +0.0016 | 0.8750 | 0.8710 | 35 | 730 |

■ **STERLING FUTURES** (IMM) £62,500 per £

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 1.5914 | 1.5896 | -0.0018 | 1.5930 | 1.5872 | 5,648 | 23,263 |
| Sep | 1.5870 | 1.5880 | -0.0002 | 1.5886 | 1.5856 | 1,852 | 4,113 |
| Dec | - | 1.5840 | -0.0048 | - | 1.5820 | 1 | 175 |

## UK INTEREST RATES

### LONDON MONEY RATES

| Jun 7 | Over-night | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Interbank Sterling | 7 3/8 - 6 1/2 | 6 7/16 - 6 1/8 | 6 7/16 - 6 5/16 | 6 21/32 - 6 1/2 | 6 13/16 - 6 5/8 | 7 1/16 - 6 7/8 |
| Sterling CDs | - | - | 6 3/8 - 6 5/16 | 6 17/32 - 6 15/32 | 6 11/16 - 6 5/8 | 6 7/8 - 6 13/16 |
| Treasury Bills | - | - | 6 1/8 - 6 1/16 | 6 3/8 - 6 1/4 | - | - |
| Bank Bills | - | - | 6 1/4 - 6 3/16 | 6 17/32 - 6 15/32 | 6 17/32 - 6 15/32 | - |
| Local authority deps. | 6 13/16 - 6 11/16 | 6 3/8 - 6 1/4 | 6 3/8 - 6 1/4 | 6 19/32 - 6 15/32 | 6 11/16 - 6 9/16 | 7 - 6 7/8 |
| Discount Market deps | 7 1/4 - 6 5/8 | 6 5/8 - 6 3/8 | | | | |

UK clearing bank base lending rate 6 3/4 per cent from February 2, 1995

| | Up to 1 month | 1-3 month | 3-6 months | 6-9 months | 9-12 months |
|---|---|---|---|---|---|
| Certs of Tax dep. (£100,000) | 3 | 5 3/4 | 5 3/4 | 6 | 6 1/4 |

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount 6.1801pc. ECGD fixed rate Stg. Export Finance. Make up day May 31, 1995. Agreed rate for period June 26, 1995 to July 25, 1995, Schemes II & III 8.03pc. Reference rate for period Apr 29, 1995 to May 31, 1995, Schemes IV & V 6.788pc. Finance House Base Rate 7pc from June 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 93.28 | 93.27 | -0.05 | 93.32 | 93.24 | 13718 | 65749 |
| Sep | 93.11 | 93.04 | -0.11 | 93.16 | 93.01 | 32726 | 104731 |
| Dec | 93.04 | 92.94 | -0.14 | 93.08 | 92.91 | 24584 | 79892 |
| Mar | 92.91 | 92.84 | -0.12 | 92.96 | 92.88 | 4489 | 44145 |

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

| Strike Price | CALLS Jun | Sep | Dec | PUTS Jun | Sep | Dec |
|---|---|---|---|---|---|---|
| 9325 | 0.10 | 0.16 | 0.26 | 0.06 | 0.37 | 0.57 |
| 9350 | 0.02 | 0.09 | 0.18 | 0.25 | 0.55 | 0.74 |
| 9375 | 0 | 0.05 | 0.11 | 0.48 | 0.75 | 0.92 |

Est. vol. total, Calls 11236 Puts 7725. Previous day's open int., Calls 210976 Puts 219118

### EMS EUROPEAN CURRENCY UNIT RATES

| Jun 7 | Ecu cen. rates | Rate against Ecu | Change on day | % +/- from cen. rate | % spread v weakest | Div. ind. |
|---|---|---|---|---|---|---|
| Netherlands | 2.15214 | 2.08755 | -0.00409 | -3.00 | 8.10 | - |
| Belgium | 39.3960 | 38.3481 | -0.0503 | -2.66 | 5.73 | 18 |
| Austria | 13.4383 | 13.1279 | -0.0295 | -2.36 | 6.35 | - |
| Germany | 1.91007 | 1.86862 | -0.00423 | -2.26 | 5.30 | - |
| Spain | 162.493 | 161.341 | +0.815 | -0.71 | 3.66 | 5 |
| Denmark | 7.28580 | 7.28276 | -0.00658 | -0.04 | 2.96 | 0 |
| Portugal | 195.792 | 196.350 | +0.025 | 0.28 | 2.63 | -2 |
| France | 6.40608 | 6.55733 | +0.00768 | 2.36 | 0.55 | -20 |
| Ireland | 0.792214 | 0.815348 | +0.000082 | 2.92 | 0.00 | -20 |
| NON ERM MEMBERS | | | | | | |
| Greece | 292.867 | 299.798 | -0.174 | 2.38 | 0.54 | - |
| Italy | 2106.15 | 2168.14 | +18.31 | 2.94 | -0.02 | - |
| UK | 0.786652 | 0.832332 | +0.000901 | 5.81 | -2.73 | - |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

| Strike Price | CALLS Jun | Jul | Aug | PUTS Jun | Jul | Aug |
|---|---|---|---|---|---|---|
| 1.525 | 6.35 | - | - | - | 0.15 | 0.56 |
| 1.550 | 3.92 | - | - | 0.02 | - | - |
| 1.575 | 1.83 | 2.63 | 3.27 | 0.37 | 1.26 | 1.99 |
| 1.600 | 0.52 | 1.42 | 2.09 | 1.50 | 2.46 | 3.16 |
| 1.625 | 0.08 | 0.64 | 1.22 | 3.48 | 4.14 | 4.79 |
| 1.650 | - | 0.23 | - | 5.88 | - | - |

Previous day's vol., Calls 3,996 Puts 8,364. Prev. day's open int., Calls 284,218 Puts 372,794

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100% (May 26)

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.11 | 94.09 | -0.02 | 94.11 | 94.07 | 58,035 | 322,457 |
| Sep | 94.46 | 94.43 | -0.02 | 94.46 | 94.41 | 84,553 | 370,944 |
| Dec | 94.53 | 94.50 | -0.02 | 94.53 | 94.48 | 156,825 | 335,857 |

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100% (May 26)

| | Open | Latest | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 94.53 | 94.53 | - | 94.53 | 94.52 | 1,412 | 7,755 |
| Sep | 94.83 | 94.82 | -0.02 | 94.83 | 94.81 | 1,174 | 11,153 |
| Dec | 94.91 | 94.93 | -0.04 | 94.93 | 94.91 | 307 | 11,561 |

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

| Strike Price | CALLS Jun | Jul | Aug | Sep | PUTS Jun | Jul | Aug | Sep |
|---|---|---|---|---|---|---|---|---|
| 9550 | 0.10 | 0.25 | 0.28 | 0.31 | 0.02 | 0.06 | 0.09 | 0.12 |
| 9575 | 0.02 | 0.10 | 0.13 | 0.17 | 0.19 | 0.18 | 0.19 | 0.22 |
| 9600 | 0 | 0.03 | 0.05 | 0.08 | 0.42 | 0.34 | 0.36 | 0.39 |

Est. vol. total, Calls 6504 Puts 5865. Previous day's open int., Calls 247089 Puts 327573

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

| Strike Price | CALLS Jun | Sep | Dec | PUTS Jun | Sep | Dec |
|---|---|---|---|---|---|---|
| 9650 | 0.22 | 0.29 | 0.30 | 0 | 0.06 | 0.21 |
| 9675 | 0.04 | 0.14 | 0.17 | 0.07 | 0.16 | 0.33 |
| 9700 | 0 | 0.05 | 0.08 | 0.28 | 0.34 | 0.49 |

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1310 Puts 1035

### BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6.75 | Duncan Lawrie | 6.75 | *Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution. | 10 |
| Allied Trust Bank | 6.75 | Exeter Bank Limited | 7.75 | Royal Bk of Scotland | 6.75 |
| AIB Bank | 6.75 | Financial & Gen Bank | 7.50 | Singer & Friedlander | 6.75 |
| ●Henry Ansbacher | 6.75 | ●Robert Fleming & Co | 6.75 | ●Smith & Williamson Secs. | 6.75 |
| Bank of Baroda | 6.75 | Girobank | 6.75 | TSB | 6.75 |
| Banco Bilbao Vizcaya | 6.75 | ●Guinness Mahon | 6.75 | Unity Trust Bank Plc | 6.75 |
| Bank of Cyprus | 6.75 | Habib Bank AG Zurich | 6.75 | Western Trust | 6.75 |
| Bank of Ireland | 6.75 | ●Hambros Bank | 6.75 | Whiteaway Laidlaw | 6.75 |
| Bank of India | 6.75 | Heritable & Gen Inv Bk. | 6.75 | Yorkshire Bank | 6.75 |
| Bank of Scotland | 6.75 | ●Hill Samuel | 6.75 | | |
| Barclays Bank | 6.75 | C. Hoare & Co | 6.75 | ● Members of London Investment Banking Association | |
| Brit Bk of Mid East | 6.75 | Hongkong & Shanghai | 6.75 | * In administration | |
| ●Brown Shipley & Co Ltd | 6.75 | Julian Hodge Bank | 6.75 | | |
| Citibank NA | 6.75 | ●Leopold Joseph & Sons | 6.75 | | |
| Clydesdale Bank | 6.75 | Lloyds Bank | 6.75 | | |
| The Co-operative Bank | 6.75 | Meghraj Bank Ltd | 6.75 | | |
| Coutts & Co | 6.75 | Midland Bank | 6.75 | | |
| Credit Lyonnais | 6.75 | * Mount Banking | 6.75 | | |
| Cyprus Popular Bank | 6.75 | NatWestminster | 6.75 | | |
| | | ●Rea Brothers | 6.75 | | |

LONDON SHARE SERVICE

## BANKS, MERCHANT

| | Notes | Price | + or - | 1995 high | 1995 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Sassoga 8pc Cm 2nd Prf | | 50½ | — | 95 | 50¾ | 6.31 | 18.8 | — |
| 9¾pc Non-Cum Prf | | 4¾ | — | 118½ | 3 | 1.90 | - | — |
| Cater Allen | | 523 | +1 | 524 | 418 | 170.5 | 6.8 | 10.8 |
| Close Bros | | 279 | — | 280 | 218 | 285.6 | 3.5 | 12.6 |
| Gerrard & Nat | | 461 | — | 480 | 395 | 224.5 | 6.8 | 13.3 |
| Hambros | | 183 | -28 | 263 | 180 | 323.2 | 5.2 | 19.1 |
| 7½pc Cv Pf | | 96½ | -3½ | 112 | 94 | 126.8 | 6.5 | — |
| Joseph (L) | | 363 | — | 408 | 353 | 18.2 | 9.1 | 16.9 |
| King & Shaxson | | 122 | — | 128 | 85 | 21.2 | 9.2 | 12.1 |
| Kleinwort Benson | | 693 | -9 | 700 | 529 | 663.7 | 4.1 | 11.9 |
| Rea Bros | | 51 | — | 67 | 51 | 24.8 | 2.5 | 18.7 |
| Schroders | | 1125 | -10 | *1146 | 905¾ | 1,898 | 1.5 | 18.0 |
| N/V | | 923 | -12 | *970½ | 823¼ | 406.1 | 1.9 | 13.1 |
| Singer & Fried | | 94xd | +1 | 96 | 81 | 182.6 | 4.7 | 9.7 |
| Union | | 92 | -4 | 105 | 70 | 24.5 | 4.1 | - |
| Warburg (SG) | | 700xd | -14 | 883 | 655 | 1,679 | 3.6 | — |
| Wintrust | | 245 | — | 250 | 200 | 20.8 | 6.0 | φ |

## BANKS, RETAIL

## BREWERIES

## BUILDING & CONSTRUCTION

## BUILDING MATS. & MERCHANTS

## BUILDING MATS. & MERCHANTS - Cont.

## CHEMICALS

## DISTRIBUTORS

## DIVERSIFIED INDUSTRIALS

## ELECTRICITY

## ELECTRONIC & ELECTRICAL EQPT

## ELECTRONIC & ELECTRICAL EQPT - Cont.

## ENGINEERING

## ENGINEERING, VEHICLES

## EXTRACTIVE INDUSTRIES

## FOOD PRODUCERS

## GAS DISTRIBUTION

## HEALTH CARE

## HEALTH CARE - Cont.

## HOUSEHOLD GOODS

## INSURANCE

## INVESTMENT TRUSTS

Approved by the Inland Revenue

## INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INV TRUSTS SPLIT CAPITAL

[illegible]

## OTHER INVESTMENT TRUSTS

[illegible]

## INVESTMENT COMPANIES

[illegible]

## INVESTMENT COMPANIES - Cont.

[illegible]

## LEISURE & HOTELS

[illegible]

## LIFE ASSURANCE

[illegible]

## MEDIA

[illegible]

## OIL EXPLORATION & PRODUCTION

[illegible]

## OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

## OIL, INTEGRATED

[illegible]

## OTHER FINANCIAL

[illegible]

## OTHER SERVICES & BUSINESSES

[illegible]

## PAPER, PACKAGING & PRINTING

[illegible]

## PHARMACEUTICALS

[illegible]

## PROPERTY

[illegible]

## RETAILERS, FOOD

[illegible]

## RETAILERS, GENERAL

[illegible]

## SPIRITS, WINES & CIDERS

[illegible]

## SUPPORT SERVICES

[illegible]

## TELECOMMUNICATIONS

[illegible]

## TEXTILES & APPAREL

[illegible]

## TOBACCO

[illegible]

## TRANSPORT

[illegible]

## TRANSPORT - Cont.

[illegible]

## WATER

[illegible]

## AMERICANS

[illegible]

## CANADIANS

[illegible]

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Trans Can Pipe. ♥ | $8⅛ | -⅛ | $8¹¹⁄₁₆ | 7⅜ | 1,474 | 4.7 | |

## SOUTH AFRICANS

| | Notes | Price | + or - | 1995 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Anglo Am Ind. | | £32½ | — | £34 | £29 | 2,164 | 2.4 | 17.8 |
| Barlow | ♣ | £8¹¹⁄₁₆ | — | £8⅝ | £4⅝ | 1,307 | 1.5 | 24.4 |
| Gold Flds Prop R. | | 144 | — | 152 | 119 | 14.7 | 7.1 | 8.7 |
| MK Props. | | 90 | — | 95 | 85 | 3.92 | 12.7 | - |
| SASOL | ♥ | 604 | — | 645 | 435 | 3,538 | 2.2 | - |
| SA Brews | | £17¼xd | — | £18½ | £12⅞ | 4,988 | 1.9 | ♦ |
| Tiger Oats | | 875 | — | 875 | 700 | 1,316 | 1.7 | 21.5 |
| Tongaat-Hulett | †h | 725xd | — | 788 | 636 | 880.8 | 1.9 | 22.1 |

## GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, including exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(vi) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
$ Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

## ♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT7285. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

Both Annual Reports and FT Company Focus are available from the above number.

## FT Company Focus

Comprehensive 10-14 page report available on this company, containing key FT stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements for £6.45.

To order, call 0121 200 4678.

Reports published by ShareFinder Ltd.

## FT Cityline

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An international service is available for callers outside the UK, annual subscription £250 stg.

Call 0171 873 4378 for more information on FT Cityline.

For readers phoning from outside UK, please dial +44 in place of the first 0.

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on ( +44 171 ) 873 4378 for more details.

# OFFSHORE AND OVERSEAS

## BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

## GUERNSEY (SIB RECOGNISED)

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710851

## GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd
Apollo Investment Management Ltd
Arab Bank Fund Managers (Guernsey) Ltd
Bachmann Global Investment Fund Ltd

## IRELAND (SIB RECOGNISED)

GT Asset Management - Contd.

## IRELAND (REGULATED)(**)

Egerton Capital European Fund Plc
Emerging Dynamic Fund Plc
F.I.T. Investment Trust Ltd (u)
Framlington Investment Mngmt (Ireland)
Frank Russell Investments (Ireland)
GAM Fund Management (Ireland)
GT Asset Management (Ireland) Ltd
Global Resources Stock Fund

## ISLE OF MAN (SIB RECOGNISED)

## ISLE OF MAN (REGULATED)(**)

## JERSEY (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (SIB RECOGNISED)

## LUXEMBOURG (REGULATED)(**)

# FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

## OTHER OFFSHORE FUNDS

## OFFSHORE INSURANCES

**Wellington Fd Mngrs (Bermuda) Ltd**

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| Intal Growth Fd | $15.85 | 16.84 | -0.56 | - |

**Wells Fargo U.S. IT Fund**

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| Wells Fargo A Shs | $14.02 | | +0.09 | - |
| Wells Fargo B Shs | $17.12 | | -0.01 | - |

**Worldwide Limited**

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| NAV Mar 31 | $59.85 | | — | - |

**Xiphias International Investment Fd Ltd**

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| Xiphias Global Growth | $8.92 | | — | - |
| Xiphias Int ECU Acc | Ecu1.2782 | | — | - |
| Xiphias Int ECU Dis | Ecu1.0873 | | — | - |

**Yamaichi Capital Management (Guernsey) Ltd**

| | Selling Price | Buying Price | + or - | Yield Gross |
|---|---|---|---|---|
| Thai Inv Fund | $20.50 | | — | - |

### MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
[illegible] - 0001 to 1100 hours
[illegible] - 1101 to 1400 hours
[illegible] - 1401 to 1700 hours
[illegible] - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
$ - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
[illegible] - Guernsey gross.
[illegible] - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies.
Φ - Yield column shows annualised Class of NAV increase.
xd - Ex-dividend.

# LONDON STOCK EXCHANGE

**MARKET REPORT**

# Equities retreat on fears of Wall Street tumble

By Steve Thompson, UK Stock Market Editor

The five-day upsurge in UK equities finally ran out of steam yesterday, as some of the aggressive funds decided to lock in profits and as Wall Street again displayed signs that it had run ahead too quickly.

With no news forthcoming from the meeting on monetary policy between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, the governor of the *Bank of England*, the stock market lacked direction and eventually succumbed to Wall Street's influence, plus the easier trend in gilts.

At the close of a relatively subdued trading session, the FT-SE 100 Index was 9.2 lower at 3,370.8 and the FT-SE Mid 250, in spite of another set of splendid performances by the utilities areas of the market, eased 5.1 to 3,695.8.

Helping to drag the Mid 250 lower was a dismal performance by Hambros, one of the UK's leading merchant banks, which confirmed widely held views thet the dividend was in jeopardy as the bank's profits plunged.

Adding to the downside pressures in equities was another weak showing by gilt-edged stocks, which finished sharply lower on the session in line with a decline in international bond markets.

Senior dealers said markets on both sides of the Atlantic were looking increasingly vulnerable after their recent strong performances. "The markets are tired on the npside and we're due a correction," said one trader. He said most marketmakers were anxious to run level to slightly short books; "a long book with Wall Street likely to dive 100 points at any moment is enough to give you a beart attack".

There were also more suggestions around the trading desks that some of the big international funds had recently been switching ont of bonds and into equities and that mnch of that business had been transacted earlier this week.

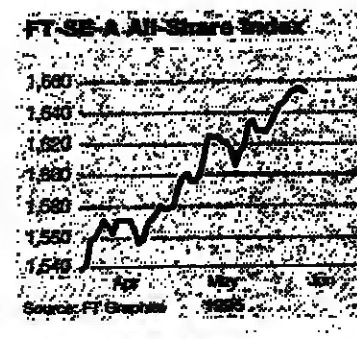
The FT-SE 100 opened down eight points and remained under pressure throughout the day, with a couple of attempts at a rally in mid-morning quickly attracting further small pockets of selling pressure.

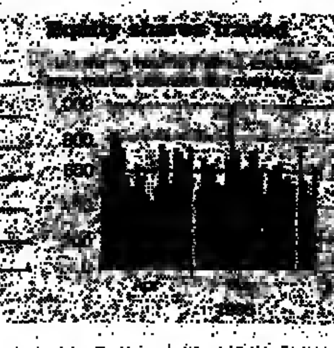
With Wall Street opening under pressure and the Dow Average down around 20 points during London trading, the Footsie was looking decidedly unhappy at the close, although one senior marketmaker described the market's performance as "reasonable, given Wall Street's wobble; it was a small down day but at one point it looked like being a big down day".

The utilities were undoubtedly the day's star performers after more bumper dividend payments and news of more share buy-backs. Yorkshire Water pleased the market in announcing e 21 per cent rise in the dividend, spicing this with news that it is making a £10 customer rebate as well as seeking to buy in 10 per cent of its own shares.

Barclays and Lloyds were hefty casualties in a bank sector suffering from widespread profit-taking triggered by the recent outperformance.

Turnover in equities reached 641.7m shares, business in non-Footsie stocks accounting for 52 per cent. Customer business picked up strongly on Tuesday when the value of retail trade jumped to £1.73bn, the highest for two weeks.





Source: FT Graphite

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT-SE 100 | 3370.8 | -9.2 | FT Ordinary index | 2543.5 | -6.0 |
| FT-SE Mid 250 | 3695.8 | -5.1 | FT-SE-A Non Fins p/e | 16.75 | (16.88) |
| FT-SE-A 350 | 1674.6 | -4.1 | FT-SE100 Fut Jun | 3380.0 | -8.0 |
| FT-SE-A All-Share | 1654.84 | -3.90 | 10 yr Gilt yield | 7.82 | (7.74) |
| FT-SE-A All-Share yield | 3.92 | (3.91) | Long gilt/equity yld ratio: | 2.08 | (2.02) |

**Best performing sectors**

1 Electricity ........ +1.5
2 Gas Distribution ........ +0.9
3 Pharmaceuticals ........ +0.5
4 Tobacco ........ +0.5
5 Spirits, Wines & Cider ........ +0.4

**Worst performing sectors**

1 Banks, Merchant ........ -1.9
2 Banks, Retail ........ -1.4
3 Insurance ........ -1.1
4 Retailers, Food ........ -1.0
5 Distributors ........ -0.8

# Two-way pull in Vodafone

Vodafone gave marketmakers a field day, topping the Footsie performance charts and seeing 27m traded, as the bulls got the better of an aggressive battle of sentiment to push the shares deep into new high ground for 1995.

The mobile phones leader is growing fast in the UK, and its international operations should start to make a positive contribution this year. But the shares' premium rating, combined with the high cost of rapid expansion, has split London's telecoms teams into opposing camps.

NatWest Securities, BZW and Salomon Brothers rate the stock as a firm buy but a number of equally beavyweight houses adopt a more cautious stance. The shares closed 1¼ below tbeir best of the day, ending 7 higher at 219¼p.

Other telecoms shares moved in line with the market. Cable and Wireless retreated 8½ to 415½p, while BT eased 4¼ to 398½p in 10m volume.

## BZW hits Barclays

Barclays was one of the main casnalties among blue chip stocks as BZW, the bank's own investment house and joint broker along with Cazenove, decided that the shares had risen far enough.

Sbares in Barclays had moved forward in a straight line from 668p since the end of May and outperformed tbe broad market by around 25 per cent since the start of the year. Although still a buyer, BZW decided it might be appropriate to take profits.

The broker also cut its forecasts for Barclays, lowering the current-year estimate by £230m to £1.95bn and next year's by £180m to £2.1bn. The stock ended 20½ off at 693½p after heavy turnover of 8.6m.

The slide was reflected throughout tbe sector and Lloyds tumbled 14 to 663p, in reaction to e report that it might have entered the bidding for the National and Provincial Building Society and would possibly be calling on sharebolders for extra casb. National Westminster receded 9 to 562p.

## Hambros retreats

Mercbant bank Hambros plummeted 28 to 183p after halving the dividend. A reduction had been well flagged but the extent of the cut, as well as tbe gloomy comments over prospects, shocked the market.

Hambros full-year profits fell to £37.1m, against forecasts of £48m and a profit of £87.8m previously.

Favourable figures from Seeboard on Tuesday boosted the regional electricity sector yesterday, with dealers anticipating other companies will also allocate cost savings to both customers and shareholders.

Eastern Group, wbich reports figures on Monday, was the second best performer in the Footsie. The shares closed 17 ahead at 676p.

Other busy stocks in the sector inclnded South Wales, 23 up at 728p, and East Midlands, which gained 30½ at 684½p.

Food retailer Argyll Gronp was tbe worst performing stock in the Footsie after Charterhouse Tilney edvised investors to take profits. The shares fell 11¼ to 327p in trade of 4m.

There was talk late in the session that Wolverhampton & Dndley Breweries could be considering a bid for Vaux Gronp. The former closed unchanged at 529p, while the latter hardened 6 to 260p, having risen the same amount on Tuesday.

Shares in Rank Organisation retreated in early trading on a rumour thet S.G. Warburg, its broker, had downgraded profits expectations and put the stock on the sell list. The stock clawed back some of the earlier loss to finish just 2 lower at 440p after it emerged that Warburg had in fact only changed its recommendation from "buy" to "add".

Profits at the top end of market expectations helped Granada Group move against the poor market trend, closing 2 ahead at 604p in trade of 2.7m. NatWest Securities edged up its current-year profits forecast by £4m to £340m.

French buying was cited as the reason for the advance in Euro Disney, the theme park operator. The shares rose 14 to 213p. US buying of Thorn EMI prompted speculation suggesting the group may be considering plans for a demerger. The stock firmed 11 to 1264p.

Tour operator Airtours, which reports figures later this month, was in demand and the sbares put on 3 at 442p. A recent broker's profits downgrade continued to cast a shadow over Ladbroke. The shares gave up 3 to 178p.

Erith jumped 8 to 74p on news that it had been in bid talks with building materials rival Graham Group. Erith's market capitalisation is one sixth that of Graham and would extend the latter's geographic reach into the London area. Graham, floated early in 1994 at 183p, ended a penny easier at 182p.

Tarmac's annual meeting statement left the shares e penny easier at 116p, with investors choosing to focus on the group's weak housebuilding experience rather than the forecast of further strong profits progress. Meyer International, down 12 following Tuesday's results, rallied 6 to 313p, helped by a reaffirmed buy recommendation from BZW.

Flight systems group Cobham jumped 15 to 379p following news of contracts worth some £70m (around a quarter of the company's stock market capitalisation), while halved profits left motor components group Ingham 7 lower at 41p.

Freight specialist NFC, which have come up from 158p over the past three months, retreated 7 to 176p as a results preview from NatWest Securities speculated on the possibility of the company cutting its dividend this year.

The house argues that a maintained 7.1p dividend was likely to be barely covered and that 5p would represent a more pragmatic payout from NFC's new management team. The interim results are dne on Wednesday.

Glaxo-Wellcome gained 1¼ to 732¼p on encouraging comments from Biochem about possible fast track approval for the Aids product, which Glaxo is developing.

On the downside, there were whispers in the market that the recent US Food and Drug Administration protection of Glaxo's patent would come under pressure today.

However, this might have related to a receot US Trade Mark and Patent Office ruling which, said Glaxo, had no effect on the 18-month extension to the patent on Zantac, its key anti-ulcer drug.

SmithKline Beecham improved 7 to 535p in the 'A's after Morgan Stanley published its improved outlook on the sector and highlighted SmithKline as its principal choice.

Analyst Mr Duncan Moore said: We have made some positive comments on the sector arguing that the US-inspired sell-off was overdone, and we have moved ont stance on SmithKline to outperform." Mr Moore also highlighted the prospects of a heart drug being developed by the company.

Gases group BOC swelled 7 to 813p, as investors in Scotland reacted to a series of presentations, which focused on BOC's increased share of business in the US.

Daily Mail shares fell 50 to 1158p after the group reported flat first-half profits of £37.1m, compared with £36.9m a year ago and warned of pain from further newsprint price increases. United News and Media, formerly United Newspapers, retreated 12 to 531p in sympathy.

**MARKET REPORTERS:**
Peter John,
Joel Kibazo,
Jeffrey Brown.

**FINANCIAL TIMES EQUITY INDICES**

| | Jun 7 | Jun 6 | Jun 5 | Jun 2 | Jun 1 | Yr ago | *High | *Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary Share | 2543.5 | 2549.5 | 2553.7 | 2529.1 | 2522.8 | 2411.9 | 2553.7 | 2238.3 |
| Ord. div. yield | 4.21 | 4.21 | 4.21 | 4.25 | 4.26 | 4.19 | 4.73 | 4.20 |
| P/E ratio net | 15.89 | 15.88 | 15.91 | 15.77 | 15.73 | 18.04 | 21.33 | 15.73 |
| P/E ratio nil | 15.65 | 15.68 | 15.67 | 15.53 | 15.49 | 19.67 | 22.21 | 15.49 |

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2545.4 | 2540.3 | 2547.3 | 2549.6 | 2549.2 | 2547.8 | 2546.1 | 2543.2 | 2541.3 | 2551.8 | 2537.4 |

| | Jun 7 | Jun 6 | Jun 5 | Jun 2 | Jun 1 | Yr ago |
|---|---|---|---|---|---|---|
| SEAO bargains | 24,404 | 25,399 | 23,458 | 23,456 | 24,383 | 22,979 |
| Equity turnover (£m)† | - | 1731.6 | 1083.8 | 1381.5 | 1588.6 | 1261.5 |
| Equity bargains† | - | 36,272 | 34,488 | 34,321 | 34,115 | 24,542 |
| Shares traded (ml)† | - | 632.9 | 450.0 | 541.3 | 775.7 | 506.2 |

†Excluding intra-market business and overseas turnover.

**■ London market data**

| Rises and falls* | | 1995 Highs and lows | | LIFFE Equity options | |
|---|---|---|---|---|---|
| Total Rises | 431 | Total Highs | 153 | Total contracts | 37,046 |
| Total Falls | 773 | Total Lows | 34 | Calls | 20,677 |
| Same | 1,860 | | | Puts | 16,369 |

June 7. *Data based on Equity shares listed on the London Share Service.

**FUTURES AND OPTIONS**

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 3375.0 | 3380.0 | -8.0 | 3388.0 | 3366.0 | 17978 | 57816 |
| Sep | 3397.0 | 3404.0 | -7.5 | 3410.0 | 3392.5 | 7929 | 20675 |
| Dec | 3433.0 | 3429.0 | -8.0 | 3433.0 | 3433.0 | 100 | 382 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Jun | 3701.0 | 3711.0 | +0 | 3710.0 | 3701.0 | 239 | 2246 |
| Sep | [illegible] | [illegible] | +0 | [illegible] | [illegible] | [illegible] | [illegible] |

■ FT-SE 100 INDEX OPTION (LIFFE) (*3380) £10 per full index point

| | | |
|---|---|---|
| [illegible] | | |

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | | |
|---|---|---|
| [illegible] | | |

**LONDON RECENT ISSUES: EQUITIES**

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1995 High | Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| - | P.P. | 133.2 | 733 | 689 | Brit Aero Cap Uts | 726 | - | - | - | - | - |
| - | F.P. | 143.7 | 105 | 100 | Dumyat An Div | 105 | - | M6.2 | - | 7.4 | - |
| - | F.P. | 29.7 | 105 | 100 | Do. Monthly Div | 105 | - | M5.92 | - | 7.0 | - |
| - | F.P. | 25.2 | 103 | 98 | Finsbury Worldwide | 101 | - | - | - | - | - |
| 122 | F.P. | 24.9 | 127 | 122 | Gradus Group | 126 | - | L4.68 | 2.1 | 4.8 | 12.5 |
| 80 | F.P. | 14.4 | 88 | 80 | Gus Carter | 80 | - | - | - | - | 20.6 |
| 3 | F.P. | 2.28 | 3½ | 3½ | Langdons Foods | 3½ | - | HW0.1 | 2.5 | 3.6 | 13.3 |
| - | F.P. | 13.0 | 850 | 850 | Oryx India | 850 | - | - | - | - | - |
| - | F.P. | 1.00 | 250 | 250 | Do Warrants | 250 | - | - | - | - | - |
| 125 | F.P. | 20.7 | 141 | 125 | Precoat Int'l | 141 | - | R4.2 | 2.5 | 3.7 | 13.6 |
| - | F.P. | 84.7 | 107 | 103 | Schroder Inc Gth | 107 | - | - | - | - | - |
| - | F.P. | 4.43 | 31 | 28 | Do. Warrants | 28 | - | - | - | - | - |
| 125 | F.P. | 16.8 | 138 | 128 | Silk Industries | 138 | +3 | L6.6 | 2.1 | 6.1 | 11.5 |

**FT GOLD MINES INDEX**

| | Jun 6 | % chg on day | Jun 5 | Jun 2 | Year ago | Gross div yield % | 52 week High | Low |
|---|---|---|---|---|---|---|---|---|
| Gold Mines Index (33) | 1871.70 | -0.5 | 1881.87 | 1888.29 | 1894.51 | 2.19 | 2337.90 | 1837.91 |
| ■ Regional Indices | | | | | | | | |
| Africa (16) | 2504.37 | -0.4 | 2513.57 | 2551.13 | 2582.11 | 6.13 | 3711.87 | 2428.19 |
| Australasia (6) | 2132.48 | -0.2 | 2137.02 | 2167.03 | 2551.70 | 1.84 | 2951.49 | 1788.20 |
| North America (11) | 1657.26 | -0.7 | 1668.76 | 1663.24 | 1584.90 | 0.82 | 1911.21 | 1348.18 |


Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

**FT - SE Actuaries Share Indices — The UK Series**

| | Jun 7 | Day's chge% | Jun 6 | Jun 5 | Jun 2 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3370.8 | -0.3 | 3380.0 | 3376.6 | 3345.0 | 3038.2 | 4.10 | 2.02 | 16.11 | 70.24 | 1316.06 |
| FT-SE Mid 250 | 3695.8 | -0.1 | 3700.9 | 3690.1 | 3674.5 | 3600.8 | 3.53 | 1.87 | 18.91 | 54.85 | 1414.66 |
| FT-SE Mid 250 ex Inv Trusts | 3704.7 | -0.1 | 3708.5 | 3697.7 | 3682.8 | 3607.1 | 3.67 | 1.94 | 17.58 | 56.23 | 1416.56 |
| FT-SE-A 350 | 1674.6 | -0.2 | 1678.7 | 1676.3 | 1662.5 | 1536.8 | 3.97 | 1.99 | 15.82 | 32.65 | 1336.00 |
| FT-SE-A 350 Higher Yield | 1697.1 | -0.3 | 1702.3 | 1700.8 | 1685.3 | 1532.2 | 4.83 | 1.75 | 14.78 | 39.71 | 1117.43 |
| FT-SE-A 350 Lower Yield | 1650.8 | -0.2 | 1653.6 | 1650.4 | 1638.3 | 1501.9 | 2.97 | 2.44 | 17.26 | 25.16 | 1106.99 |
| FT-SE SmallCap | 1865.58 | -0.1 | 1868.07 | 1867.52 | 1866.18 | 1864.26 | 3.28 | 1.62 | 23.52 | 26.44 | 1482.21 |
| FT-SE SmallCap ex Inv Trusts | 1842.79 | -0.1 | 1845.02 | 1844.73 | 1844.40 | 1840.20 | 3.48 | 1.69 | 21.25 | 29.67 | 1470.39 |
| FT-SE-A ALL-SHARE | 1654.84 | -0.2 | 1658.74 | 1656.47 | 1643.87 | 1528.04 | 3.92 | 1.98 | 16.23 | 31.72 | 1342.12 |

**■ FT-SE Actuaries All-Share**

| | Jun 7 | Day's chge% | Jun 6 | Jun 5 | Jun 2 | Year ago | Div. yield% | Net cover | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(24) | 2868.27 | -0.1 | 2869.80 | 2875.35 | 2881.90 | 2581.67 | 3.64 | 2.07 | 16.57 | 61.64 | 1184.66 |
| 12 Extractive Industries(7) | 3825.71 | -0.1 | 3828.47 | 3839.33 | 3818.35 | 3864.03 | 3.71 | 2.07 | 16.33 | 91.94 | 1083.33 |
| 15 Oil, Integrated(3) | 2884.84 | .... | 2885.19 | 2871.45 | 2883.56 | 2512.68 | 3.76 | 2.16 | 15.37 | 61.83 | 1210.35 |
| 16 Oil Exploration & Prod(14) | 2058.83 | -0.4 | 2068.14 | 2063.29 | 2058.59 | 1866.52 | 2.40 | 0.67 | 78.07 | 31.57 | 1211.35 |
| 20 GEN INDUSTRIALS(278) | 1969.28 | -0.3 | 1975.10 | 1980.26 | 1968.60 | 1897.75 | 4.01 | 1.71 | 18.22 | 37.49 | 1033.64 |
| 21 Building & Construction(38) | 998.11 | -0.4 | 1000.14 | 1005.37 | 1003.86 | 1208.44 | 4.00 | 1.86 | 16.83 | 20.64 | 803.60 |
| 22 Building Matls & Merchs(31) | 1800.09 | -0.4 | 1807.24 | 1815.03 | 1800.73 | 1940.70 | 4.12 | 1.98 | 15.60 | 37.17 | 875.05 |
| 23 Chemicals(23) – 89 FT-SE-A ALL-SHARE(911); FT-SE-A Fledgling; FT-SE-A Fledgling ex Inv Trusts | [illegible] | | | | | | | | | | |

**■ Hourly movements**

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3372.0 | 3368.2 | 3375.0 | 3377.8 | 3377.6 | 3376.0 | 3372.8 | 3370.2 | 3369.3 | 3380.6 | 3361.2 |
| FT-SE Mid 250 | [illegible] | | | | | | | | | | |
| FT-SE-A 350 | [illegible] | | | | | | | | | | |

**■ FT-SE Actuaries 350 Industry baskets**

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous | Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Bldg & Cnstrcn | [illegible] | | | | | | | | | | | |
| Pharmaceuticals | [illegible] | | | | | | | | | | | |
| Water | [illegible] | | | | | | | | | | | |
| Banks, Retail | [illegible] | | | | | | | | | | | |

[illegible]

**TRADING VOLUME**

■ Major Stocks Yesterday

| | | |
|---|---|---|
| [illegible] | | |







Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 08.06.95: Pool purchase price £/MWh | Final Prices for Trading on 11.05.95: Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 16.41 | 9.58 | 9.68 |
| 0100 | 14.18 | 9.55 | 11.23 |
| 0130 | 14.18 | 9.55 | 11.23 |
| 0200 | 14.18 | 9.55 | 11.23 |
| 0230 | 14.10 | 9.55 | 11.23 |
| 0300 | 14.18 | 9.55 | 11.23 |
| 0330 | 14.10 | 9.55 | 11.23 |
| 0400 | 14.19 | 9.55 | 11.23 |
| 0430 | 14.18 | 9.55 | 11.23 |
| 0500 | 14.18 | 9.55 | 11.23 |
| 0530 | 15.68 | 9.57 | 11.25 |
| 0600 | 15.66 | 9.57 | 11.25 |
| 0630 | 15.68 | 17.88 | 19.37 |
| 0700 | 16.83 | 17.72 | 19.40 |
| 0730 | 17.04 | 17.79 | 19.51 |
| 0800 | 17.85 | 21.51 | 23.52 |
| 0830 | 18.55 | 25.18 | 27.47 |
| 0900 | 21.21 | 27.18 | 29.96 |
| 0930 | 21.78 | 28.45 | 31.51 |
| 1000 | 24.62 | 29.09 | 32.38 |
| 1030 | 24.55 | 28.94 | 33.42 |
| 1100 | 24.93 | 30.72 | 34.67 |
| 1130 | 33.60 | 52.10 | 57.00 |
| 1200 | 31.50 | 58.11 | 63.58 |
| 1230 | 40.71 | 56.47 | 61.44 |
| 1300 | 30.86 | 51.51 | 55.82 |
| 1330 | 31.99 | 26.11 | 28.95 |
| 1400 | 23.29 | 27.79 | 30.17 |
| 1430–2400 | [illegible] | | |

[illegible]







## CONTRACTS & TENDERS

# WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jun 7 / Sch)

BELGIUM/LUXEMBOURG (Jun 7 / Frs.)

CZECH REP (Jun 7 / Koruna)

DENMARK (Jun 7 / Kr)

FINLAND (Jun 7 / Mka)

FRANCE (Jun 7 / Frs.)

GERMANY (Jun 7 / Dm.)

GREECE (Jun 7 / Drachma)

ITALY (Jun 7 / Lira)

NETHERLANDS (Jun 7 / Fls.)

NORWAY (Jun 7 / Kroner)

POLAND (Jun 6 / Zloty)

PORTUGAL (Jun 7 / Escudo)

SPAIN (Jun 7 / Pts.)

SWEDEN (Jun 7 / Kronor)

SWITZERLAND (Jun 7 / Frs.)

TURKEY (Jun 7 / Tk Lira)

PACIFIC

JAPAN (Jun 7 / Yen)

HONG KONG (Jun 7 / H.K.$)

INDONESIA (Jun 7 / Rupiah)

MALAYSIA (Jun 7 / MYR)

NEW ZEALAND (Jun 7 / NZ $)

SINGAPORE (Jun 7 / S$)

AUSTRALIA (Jun 7 / Aus$)

SOUTH KOREA (Jun 7 / Won)

TAIWAN (Jun 7 / TW $)

THAILAND (Jun 7 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jun 7 / Can $)

4 pm close

MONTREAL (Jun 7 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jun 7 / Rand)

## INDICES

| | Jun 7 | Jun 6 | Jun 5 | 1995 High | | 1995 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | |
| General (29/12/77) | (u) | 14968.11 | 15684.56 | 16631.10 | 2/1 | 8631.08 | 9/3 |
| **Australia** | | | | | | | |
| All Ordinaries(1/1/80) | 2015.6 | 2020.1 | 2011.7 | 2077.50 | 9/5 | 1823.50 | 8/2 |
| All Mining(1/1/80) | 878.5 | 878.9 | 877.3 | 982.50 | 19/4 | 795.30 | 8/2 |
| **Austria** | | | | | | | |
| Credit Aktien(30/12/84) | 383.93 | 384.33 | (c) | 395.42 | 2/1 | 350.32 | 30/3 |
| Traded Index(2/1/91) | 1042.79 | 1042.5 | (c) | 1080.31 | 2/1 | 934.83 | 30/3 |
| **Belgium** | | | | | | | |
| BEL20 (1/1/91) | 1443.93 | 1451.30 | (c) | 1488.74 | 12/5 | 1271.53 | 9/3 |
| **Brazil** | | | | | | | |
| Bovespa (29/12/83) | (u) | 39333.0 | 40628.0 | 43190.09 | 2/1 | 21302.00 | 9/3 |
| **Canada** | | | | | | | |
| Metals Minls♦(1975) | (u) | 4391.48 | 4343.38 | 4391.40 | 6/6 | 3808.63 | 1/3 |
| Composite♦ (1975) | (u) | 4484.80 | 4483.50 | 4484.80 | 6/6 | 3991.41 | 30/1 |
| PortfolioSS (4/1/83) | (u) | 2213.70 | 2196.30 | 2213.70 | 6/6 | 1940.30 | 31/1 |
| **Chile** | | | | | | | |
| IGPA Gen (31/12/80) | (u) | 5191.0 | 5156.3 | 5191.50 | 6/6 | 4578.90 | 9/3 |
| **Denmark** | | | | | | | |
| CopenhagenSE(3/1/83) | 358.86 | 360.09 | (c) | 380.97 | 26/5 | 330.01 | 29/3 |
| **Finland** | | | | | | | |
| HEX General(28/12/90) | 1866.2 | 1878.4 | 1875.8 | 1940.30 | 10/1 | 1605.30 | 29/3 |
| **France** | | | | | | | |
| SBF 250 (31/12/90) | 1307.94 | 1302.88 | (c) | 1322.30 | 12/5 | 1169.14 | 10/3 |
| CAC 40(31/12/87) | 1974.69 | 1965.94 | (u) | 2017.27 | 12/5 | 1721.26 | 13/3 |
| **Germany** | | | | | | | |
| FAZ Aktien(31/12/58) | 786.54 | 789.20 | (c) | 795.81 | 16/2 | 708.87 | 30/3 |
| Commerzbank(1/12/53) | 2257.0 | 2264.6 | (c) | 2269.60 | 16/2 | 2018.79 | 30/3 |
| DAX (30/12/87)‡ | 2141.07 | 2148.40 | (c) | 2148.40 | 6/6 | 1910.96 | 28/3 |
| **Greece** | | | | | | | |
| Athens SE(31/12/80) | 893.13 | 900.50 | 901.85 | 955.01 | 9/5 | 767.10 | 16/3 |
| **Hong Kong** | | | | | | | |
| Hang Seng(31/7/64) | 9382.58 | 9487.83 | 9570.37 | 9570.37 | 5/6 | 6967.93 | 23/1 |
| **India** | | | | | | | |
| BSE Sens.(1979) | 3358.48 | 3389.36 | 3367.55 | 3932.09 | 2/1 | 3018.07 | 3/5 |
| **Indonesia** | | | | | | | |
| Jakarta Comp.(10/8/82) | 495.51 | 494.66 | 497.28 | 497.28 | 5/6 | 414.21 | 19/4 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 1954.33 | 1953.66 | (c) | 1954.33 | 7/6 | 1813.59 | 23/1 |
| **Italy** | | | | | | | |
| Banca Comm Ital (1972) | 624.11 | 630.00 | 625.88 | 690.54 | 10/2 | 587.99 | 23/3 |
| MIB General (2/1/85) | 987.0 | 997.0 | 989.0 | 1076.00 | 10/2 | 929.00 | 23/3 |
| **Japan** | | | | | | | |
| Nikkei 225 (16/5/49) | 15579.62 | 15680.99 | 15887.32 | 19723.06 | 2/1 | 15381.29 | 3/4 |
| Nikkei 300 (1/10/82) | 235.59 | 235.16 | 238.38 | 287.17 | 2/1 | 226.65 | 24/3 |
| Topix (4/1/68) | 1263.34 | 1264.24 | 1279.83 | 1559.09 | 2/1 | 1239.67 | 24/3 |
| 2nd Section (4/1/68) | 1529.30 | 1544.15 | 1558.63 | 2133.86 | 2/1 | 1520.86 | 31/5 |
| **Malaysia** | | | | | | | |
| KLSE Comp.(4/4/86) | 1057.80 | 1060.52 | 1066.04 | 1066.04 | 5/6 | 940.87 | 24/1 |
| **Mexico** | | | | | | | |
| IPC (Nov 1978) | (u) | 2001.01 | 2023.89 | 2364.25 | 2/1 | 1447.82 | 27/2 |
| **Netherland** | | | | | | | |
| CBS TtlRtnGen(End 83) | 474.0 | 474.9 | (c) | 478.10 | 1/6 | 422.90 | 23/3 |
| CBS All Shr (End 83) | 290.3 | 290.9 | (c) | 291.70 | 1/6 | 266.20 | 23/3 |
| **New Zealand** | | | | | | | |
| Cap. 40 (1/7/86) | 2111.76 | 2118.76 | (c) | 2135.79 | 10/5 | 1901.48 | 5/1 |
| **Norway** | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 1181.60 | 1183.46 | (c) | 1198.84 | 18/5 | 1038.09 | 10/3 |
| **Philippines** | | | | | | | |
| Manila Comp (2/1/85) | 2838.85 | 2877.33 | 2840.54 | 2877.33 | 6/6 | 2246.39 | 27/3 |
| **Portugal** | | | | | | | |
| BTA (1977) | 2811.5 | 2808.3 | 2817.3 | 2911.60 | 9/1 | 2082.40 | 26/1 |
| **Singapore** | | | | | | | |
| SES All-S'pore(2/4/75) | 525.64 | 527.82 | 532.45 | 536.06 | 5/1 | 472.98 | 23/1 |
| **South Africa** | | | | | | | |
| JSE Gold (28/9/78) | 1387.0♥ | 1361.0 | 1368.9 | 2023.80 | 2/1 | 1317.20 | 22/5 |
| JSE Ind. (28/9/78) | 6900.4♥ | 6909.6 | 6959.8 | 7066.20 | 3/5 | 6222.09 | 31/1 |
| **South Korea** | | | | | | | |
| KoreaCompEx(4/1/80)** | 889.36 | (c) | 889.04 | 1027.37 | 2/1 | 847.09 | 27/5 |
| **Spain** | | | | | | | |
| Madrid SE (30/12/85) | 297.07 | 298.12 | 298.80 | 302.29 | 24/5 | 284.08 | 23/3 |
| **Sweden** | | | | | | | |
| AffarsvardsGen (1/2/37) | 1602.8 | 1604.9 | (c) | 1609.80 | 2/6 | 1439.98 | 29/3 |
| **Switzerland** | | | | | | | |
| Swiss Bk Ind (31/12/58) | 1301.03 | 1299.82 | (c) | 1309.37 | 1/6 | 1174.63 | 13/3 |
| SBC General (1/4/87) | 984.16 | 981.65 | (c) | 984.16 | 7/6 | 870.56 | 13/3 |
| **Taiwan** | | | | | | | |
| WeightedPr.(30/6/66)** | 5881.58 | 5878.31 | 5871.10 | 7124.66 | 3/1 | 5524.67 | 27/5 |
| **Thailand** | | | | | | | |
| Bangkok SET (30/4/75) | 1402.39 | 1397.22 | 1408.26 | 1408.26 | 5/6 | 1136.89 | 16/3 |
| **Turkey** | | | | | | | |
| Istanbul Comp.(Jan 1986) | 52945.6 | 52081.5 | 50676.4 | 54853.89 | 21/4 | 24844.31 | 23/1 |
| **WORLD** | | | | | | | |
| MS Capital Int (1/1/70)$ | 676.3* | 674.8 | 679.0 | 689.19 | 8/5 | 598.21 | 23/1 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 1374.76 | 1377.53 | 1375.78 | 1380.43 | 16/5 | 1222.41 | 13/3 |
| Euro Top-100 (26/6/90) | 1242.37 | 1244.92 | 1242.77 | 1244.92 | 6/6 | 1114.84 | 10/3 |
| JCrspdDrgns (31/12/88) | (u) | 345.31 | 347.26 | 347.26 | 5/6 | 262.07 | 23/1 |
| Barings Emerg.(7/1/92) | 150.40 | 152.58 | 151.71 | 158.07 | 2/1 | 117.15 | 10/3 |

### INDEX FUTURES

| | Open | Sett Price | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **CAC-40 (200 x Index)** | | | | | | | |
| Jun | 1968.0 | 1971.0 | +5.0 | 1980.0 | 1957.0 | 23,448 | 60,967 |
| Jul | 1960.0 | 1973.5 | +5.5 | 1976.0 | 1960.0 | 840 | 4,070 |
| **DAX** | | | | | | | |
| Jun | 2149.5 | 2137.0 | -20.5 | 2150.5 | 2136.0 | 18,515 | 129,193 |
| Sep | 2173.0 | 2158.5 | -20.5 | 2173.0 | 2158.0 | 5,846 | 10,234 |
| **OMX** | | | | | | | |
| May | - | - | - | - | - | - | - |
| Jun | 1262.0 | 1262.5 | -13.50 | 1263.0 | 1257.0 | 2,294 | 15,761 |
| **SOFFEX** | | | | | | | |
| Jun | 2809.0 | 2816.5 | - | 2823.0 | 2803.0 | 4,900 | 19,753 |
| Jul | 2810.0 | 2821.0 | +6.00 | 2826.0 | 2810.0 | 433 | 2,042 |

** Sat June 3: Taiwan Weighted Price (c) ; Korea Comp Ex 890.08. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Jun 7 - 2118.72 -17.45.

## US INDICES

| Dow Jones | Jun 6 | Jun 5 | Jun 2 | 1995 High | 1995 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 4485.20 | 4476.55 | 4444.39 | 4485.20 (6/6) | 3832.08 (30/1) | 4485.20 (6/6/95) | 41.22 (2/7/32) |
| Home Bonds | 102.26 | 102.11 | 101.95 | 102.26 (6/6) | 93.63 (3/1) | 108.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1642.73 | 1640.87 | 1630.85 | 1696.28 (28/4) | 1473.19 (3/1) | 1862.29 (2/2/94) | 12.32 (8/7/32) |
| Utilities | 209.14 | 209.86 | 207.75 | 209.86 (5/6) | 183.03 (3/1) | 223.85 (20/5/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 4520.47 (4510.45 ) Low 4448.46 (4417.78 ) (Theoretical♦)
Day's high 4493.60 (4493.84 ) Low 4470.67 (4439.55 ) (Actual♦)

| Standard and Poors | Jun 6 | Jun 5 | Jun 2 | 1995 High | 1995 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 535.55 | 535.60 | 532.51 | 535.60 (5/6) | 459.11 (3/1) | 535.60 (5/6/95) | 4.40 (1/6/32) |
| Industrials♥ | 634.20 | 634.11 | 630.41 | 634.20 (6/6) | 540.28 (3/1) | 634.20 (6/6/95) | 3.62 (21/6/32) |
| Financial | 52.47 | 52.57 | 52.41 | 52.57 (5/6) | 41.41 (2/1) | 52.57 (5/6/95) | 8.64 (1/10/74) |
| NYSE Comp. | 288.23 | 288.05 | 286.53 | 288.23 (6/6) | 250.73 (3/1) | 288.23 (6/6/95) | 4.46 (25/4/42) |
| Amex Mkt Val | 487.88 | 488.71 | 487.84 | 492.19 (31/5) | 433.12 (6/1) | 492.15 (31/5/95) | 29.31 (9/12/72) |
| NASDAQ Cmp | 879.40 | 882.85 | 872.97 | 882.85 (5/6) | 743.58 (3/1) | 882.85 (5/6/95) | 54.87 (31/10/72) |

### RATIOS

| | Jun 2 | May 26 | May 10 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.54 | 2.53 | 2.54 | 2.69 |
| | May 31 | May 24 | May 17 | Year ago |
| S & P Ind. Div. yield | 2.10 | 2.21 | 2.20 | 2.48 |
| S & P Ind. P/E ratio | 17.72 | 17.61 | 18.91 | 24.06 |

### NEW YORK ACTIVE STOCKS

| Tuesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Kmart | 8,977,700 | 14⅞ | +⅜ |
| Ford Motor | 8,082,400 | 30 | –½ |
| Merck | 5,754,800 | 48⅝ | +⅝ |
| Motorola | 3,323,400 | 60 | +1⅛ |
| Micron | 3,034,500 | 45½ | –1¾ |
| IBM | 2,821,200 | 91⅝ | +⅝ |
| RJR Nabisco | 2,880,800 | 28¾ | –¾ |
| Pepsico | 2,667,300 | 46⅛ | –⅛ |
| Philip Morris | 2,523,400 | 73¾ | +¼ |
| Wis Comoon | 2,417,200 | 13½ | +⅛ |

### TRADING ACTIVITY

● Volume (million)

| | Jun 6 | Jun 5 | Jun 2 |
|---|---|---|---|
| New York SE | 339.984 | 339.035 | 388.970 |
| Amex | 15.888 | 18.551 | 19.592 |
| NASDAQ | 396.957 | 380.468 | 363.395 |
| **NYSE** | | | |
| Issues Traded | 3,009 | 2,997 | 3,006 |
| Rises | 1,144 | 1,565 | 1,469 |
| Falls | 1,080 | 711 | 907 |
| Unchanged | 785 | 721 | 630 |
| New Highs | 165 | 251 | 267 |
| New Lows | 0 | 10 | 12 |

| | Open | Latest | Change | High | Low | Est. vol. | Open Int. |
|---|---|---|---|---|---|---|---|
| **S&P 500** | | | | | | | |
| Jun | 535.40 | 534.25 | -1.10 | 535.45 | 533.90 | 77,542 | 156,593 |
| Sep | 539.20 | 538.70 | -1.00 | 539.25 | 538.45 | 21,710 | 73,422 |
| **Nikkei 225** | | | | | | | |
| Jun | 15560.0 | 15590.0 | +10.00 | 15780.0 | 15560.0 | 11,169 | 82,878 |
| Jul | 15620.0 | 15730.0 | +30.00 | 15800.0 | 15590.0 | 21,963 | 65,111 |

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.



Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.



### TOKYO – MOST ACTIVE STOCKS: Wednesday, June 7, 1995

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Maruyama Mfg | 13.0m | 597 | -58 |
| Tamura Elec Wks | 6.6m | 1010 | -30 |
| Nippon Steel | 5.9m | 301 | -3 |
| Chino Corp | 5.7m | 568 | +15 |
| NKK Corp | 4.5m | 209 | -3 |
| Daido Steel Sheet | 3.9m | 879 | -81 |
| Tsumura & Co | 2.9m | 1670 | +50 |
| Hanwa | 2.8m | 176 | |
| Fudo Constn | 2.5m | 698 | -19 |
| OKI Electric | 2.4m | 498 | -5 |

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

*4 pm close June 7*

| 1995 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15½ | 12⅛ | AAR | 0.48 | 3.2 | 26 | 59 | 15⅛ | 15 | 15⅛ | |
| 24 | 17 | ALPharmaA | 0.18 | 1.0 | 144 | 309 | 18⅞ | 19¾ | 18¾ | |
| 43⅞ | 35 | AMP | 0.92 | 2.2 | 22 | 1773 | 42¾ | 42 | 42¼ | -⅛ |
| 70 | 53⅞ | AMR | | | 22 | 16652 | 69⅝ | 68½ | 69⅞ | +1⅝ |
| 47⅞ | 41⅞ | ASA | 1.71 | 3.9 | 28 | 1270 | 44 | 43½ | 43⅞ | +½ |
| 40⅞ | 30¾ | AbbtL | 0.84 | 2.1 | 20 | 3853 | 39¾ | 39⅜ | 39½ | -⅛ |
| 17¼ | 12 | Abitibi Pr x | 0.40 | 2.5 | 124 | 439 | 16½ | 16⅛ | 16⅛ | -⅛ |
| 24⅜ | 21 | ABM Ind | 0.60 | 2.7 | 13 | 22 | 22⅞ | 22½ | 22½ | -¼ |
| 16⅝ | 13½ | Acplnccia | | | 8 | 93 | 14½ | 14⅜ | 14½ | +⅛ |
| 27½ | 21⅞ | ACE Ltd | 0.60 | 2.2 | 11 | 893 | 30 | 25⅜ | 28 | +⅛ |
| 9¾ | 5⅜ | ACM Grt In | 0.90 | 6.8 | 6 | 493 | 6½ | 6⅜ | 6⅜ | |
| 7½ | 6½ | ACM GvOpp | 0.66 | 8.8 | | 310 | d7⅛ | 7⅜ | 7⅜ | |
| 7½ | 5¾ | ACM Gvt Sp | 0.75 | 10.9 | | 680 | 7 | 6⅞ | 6⅞ | -⅛ |
| 6⅜ | 7¼ | ACM Gvt Se | 0.80 | 10.8 | | 357 | 9⅛ | 8⅛ | 8½ | |
| 9½ | 7⅝ | ACM Man | 1.08 | 11.7 | | 556 | u9½ | 9¼ | 9¼ | -⅛ |
| 26¼ | 18¾ | AcmeCh | 0.48 | 2.0 | 12 | 79 | 24⅜ | 23¾ | 23¾ | -⅜ |
| 28¾ | 12⅛ | Acme Elect | | | 68 | 138 | 28 | 27⅜ | 27⅛ | -⅛ |
| 24½ | 26 | Acordia | 0.72 | 2.4 | 14 | 88 | 30¼ | 30½ | 30⅛ | -⅛ |
| 11⅜ | 6⅞ | Actava | 0.36 | 3.2 | 8 | 532 | 11¼ | 11 | 11¼ | |
| 16¾ | 10⅛ | Acuson | | | 23 | 54 | 11⅜ | 11¼ | 11¼ | -⅛ |
| 17⅝ | 15⅝ | Adams Expr | 0.48 | 2.9 | 0 | 113 | 17½ | 17⅜ | 17⅝ | -⅛ |
| 37½ | 25 | AdvMic | | | 9 | 7096 | 34¼ | 33⅝ | 23⅝ | -⅛ |
| 9⅞ | 5 | Advest Grp | 0.10 | 2.4 | 35 | 4159 | u6⅞ | 9⅝ | 6¾ | +⅛ |
| 21¾ | 16½ | Advo Inc | 0.10 | 0.5 | 17 | 159 | 21½ | 21⅜ | 21⅜ | -⅛ |
| 82½ | 62 | Aegon | 2.57 | 3.1 | 18 | 108 | u83¾ | 82⅞ | 82⅞ | +⅜ |
| 4⅝ | 3⅜ | Aerflx | | | 5 | 409 | 4¼ | 4⅛ | 4⅛ | -⅛ |
| 63¾ | 46¾ | AetnaL | 2.70 | 4.9 | 11 | 1635 | 60⅛ | 59¾ | 59⅞ | -¼ |
| 43½ | 31⅞ | Aflac | 0.52 | 1.2 | 14 | 1403 | u44½ | 43½ | 44⅛ | +⅞ |



Continued on next page

## NYSE COMPOSITE PRICES

4 pm close June 7

Continued from previous page

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## NASDAQ NATIONAL MARKET

4 pm close June 7

[illegible]

## AMEX COMPOSITE PRICES

4 pm close June 7

[illegible]

AMERICA

# US stocks uncertain awaiting inflation data

### Wall Street

US share prices were mixed in early afternoon trading yesterday as investors waited for inflation data, due to be released on Friday, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 17.29 lower at 4,467.91, and the Standard & Poor's 500 shed 1.83 to 533.72. The American Stock Exchange composite rose 1.15 to 489.03 and the Nasdaq composite gained 2.93 at 882.33. NYSE volume was 205m shares.

Bond prices were mostly flat as traders in that market also looked ahead to Friday's release of the producer price index. Analysts expect the index to have risen 0.3 per cent in May, putting year-on-year inflation at 2.6 per cent. If the figure is substantially higher it could trouble the markets, which expect the Federal Reserve to lower interest rates by the end of the year.

The Nasdaq composite made up most of the 3.45 points it lost on Tuesday as technology shares, which are heavily represented, posted strong performances. Microsoft was $1⅜ higher at $84¼, Intel climbed $1 to 113⅛ and Broderbund Software rose $2⅛ to $50.

The Dow Jones Transportation index advanced 0.45 per cent on the heels of strong performances by several airlines. Several carriers reported May traffic figures, and while not all were higher, shares received a boost in part because Delta Air Lines said that its earnings would probably beat analysts' estimates. Delta shares rose $1⅛ at $68⅛, UAL, the parent company of United Airlines, climbed $2⅛ at $118⅜ and AMR, the parent of American Airlines, was $1 higher at $69.

Shares in Caterpillar jumped more than 1 per cent or $⅝ at $60⅜ after the construction machinery company announced that it would raise the dividend to 35 cents from 25 cents per share. The board also authorised the repurchase of up to 10 per cent of outstanding shares over the next three to five years.

### Canada

Toronto edged back from a marginally firmer opening and by noon the TSE-300 Composite index was 2.25 easier at 4,482.30 in hefty volume of 38.9m shares.

John Labatt, the takeover target, was among the heavy traders, rising C$⅛ to C$27⅞. The brewer's stock had climbed C$2⅞ on Tuesday after news of a friendly C$28.50 a share offer from the Belgian beermaker Interbrew.

In the mining sector, the volatile Diamond Fields Resources fell C$3⅝ to C$76⅝ after jumping C$8⅜ on Tuesday.

# Buenos Aires hit by economic data

*BUENOS AIRES* fell further in early trade after the economy minister said on Tuesday that the country was in recession. The Merval index was down 8.32 or 2 per cent at 413.69.

The government also said that civil servants' June salaries will be witheld by one week and taxpayers would be asked to hand over part of personal property taxes early.

SAO PAULO declined 2.7 per cent in light midday trading on concerns over Argentina's economic outlook, Brazil's foreign exchange rate and speculation ahead of the mid-June futures index and options settlements.

The Bovespa index was off 1,090 at 38,243 by 1 pm in thin turnover of R$137.6m ($151.1m).

MEXICO CITY opened marginally firmer in light trade. The IPC index was up 3.21 at 2,004.22 in volume of 3.6m shares.

### EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

| Market | No. of stocks | Dollar terms June 2 1995 | % Change over week | % Change on Dec '94 | Local currency terms June 2 1995 | % Change over week | % Change on Dec '94 |
|---|---|---|---|---|---|---|---|
| Latin America | (254) | 481.14 | +1.4 | -17.1 | | | |
| Argentina | (30) | 749.05 | +3.4 | +2.0 | 459,403.49 | +3.4 | +1.6 |
| Brazil | (72) | 325.67 | +0.4 | -15.3 | 1,099.79 | +1.0 | -9.7 |
| Chile | (36) | 897.50 | +1.4 | +14.4 | 1,345.65 | +1.1 | +6.7 |
| Colombia[1] | (16) | 691.16 | -1.4 | -14.6 | 1,071.35 | -1.2 | -10.4 |
| Mexico | (68) | 423.52 | +2.6 | -30.3 | 1,128.53 | +3.2 | -12.6 |
| Peru[2] | (20) | 193.09 | +0.3 | +8.3 | 265.20 | +0.4 | +11.5 |
| Venezuela[3] | (12) | 399.48 | -0.6 | -19.3 | 1,559.21 | -0.6 | -19.3 |
| Asia | (657) | 262.51 | +2.9 | +5.2 | | | |
| China[4] | (20) | 71.41 | -1.1 | -5.9 | 74.92 | -1.2 | -7.5 |
| South Korea[5] | (159) | 128.53 | +4.6 | -6.0 | 128.68 | +4.7 | -9.2 |
| Philippines | (25) | 296.54 | +3.2 | -0.5 | 370.31 | +3.0 | +5.4 |
| Taiwan, China[6] | (93) | 131.44 | +2.7 | -20.1 | 126.83 | +3.2 | -21.8 |
| India[7] | (101) | 102.70 | +4.6 | -16.6 | 114.63 | +4.6 | -16.7 |
| Indonesia[8] | (42) | 109.67 | +5.6 | +9.9 | 132.58 | +5.6 | +11.3 |
| Malaysia | (114) | 309.53 | +3.0 | +15.1 | 280.26 | +2.8 | +10.6 |
| Pakistan[9] | (36) | 272.64 | -3.6 | -25.5 | 383.07 | -3.8 | -25.1 |
| Sri Lanka[10] | (19) | 119.92 | +4.9 | -30.3 | 129.19 | +5.3 | -30.3 |
| Thailand | (68) | 424.32 | +1.2 | +10.6 | 415.13 | +1.3 | +8.6 |
| Euro/Mid East | (210) | 137.15 | +0.7 | +15.7 | | | |
| Greece | (40) | 254.32 | -2.2 | +12.7 | 388.72 | -1.7 | +5.7 |
| Hungary[11] | (5) | 127.29 | -3.2 | -16.1 | 186.83 | -2.0 | -9.6 |
| Jordan | (8) | 185.40 | +1.0 | +23.6 | 270.20 | -0.1 | +21.5 |
| Poland[12] | (16) | 431.02 | -6.2 | -8.2 | 633.58 | -5.6 | -12.0 |
| Portugal | (28) | 125.45 | -2.1 | +3.6 | 127.92 | -0.2 | -3.4 |
| South Africa[13] | (64) | 231.72 | +0.5 | +3.1 | 175.85 | +0.7 | -7.0 |
| Turkey[14] | (44) | 161.97 | +6.1 | +33.0 | 3,276.66 | +6.3 | +48.1 |
| Zimbabwe[15] | (5) | 250.61 | +2.2 | +2.6 | 313.47 | +2.2 | +4.0 |
| Composite | (1121) | 287.62 | +1.6 | -6.3 | | | |

*Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.*

**Kenya was the best performing emerging equity market in 1994, according to the latest issue of the IFC's Factbook, writes John Pitt. In spite of the volatile performance through last year the IFC's global composite index, representing 1,266 stocks from 24 markets, fell abont 2 per cent in dollar terms. By comparison, the composite index, measuring returns from 890 stocks in which foreign investors could invest, shed nearly 14 per cent on the year. The Mexican devaluation in mid-December had a marked impact on the regional index: np almost 2 per cent hy mid-December, the global Latin America index had turned to a 2 per cent loss by the end of the month. The investable index dropped almost 6 per cent in the two-week period, to end the year down almost 11 per cent.**

**It was the so-called "pre-emerging markets" that made the most headway in 1994, says the IFC. Aside from Kenya, Nigeria, Egypt, Bangladesh and Tunisia all recorded gains above 100 per cent in local currency terms.**

**At the bottom of the scale, Turkey fell 43 per cent in dollar terms through 1994, followed by Poland (down 42 per cent), and Argentina and Mexico (both off 41 per cent). In spite of the volatility, Lipper Analytical Services noted that 59 new closed-end funds were established during the year, raising more than $7bn, and more than 150 open-ended funds.**

**The IFC says 1994 was a sobering year for emerging market investors. "While emerging markets are becoming deeper and more stable, their volatility remains a constant. This year's results [1994] were proof that emerging markets can still turn on a dime or, more accurately, turn on a peso."**

**IFC Emerging Stock Markets Factbook, Emerging Markets Data Base, Room 1-3-175, 1850 I Street, NW, Washington, DC 20433, US. $100.**

**● A conference in London yesterday asked: "Is now the time to buy emerging markets?" The answer given by the speakers at the event organised by Foreign & Colonial was in the affirmative. Mr Tim Congdon, managing director of Lomhard Street Research and a member of the UK Treasury Panel of Independent Forecasters, cited four reasons why emerging markets remained a suitable case for investment: intellectual, demographic, currency and Mexico. Emerging markets, he elaborated, continned to be ontward looking and eager to embrace free market practices; dependency ratios were falling; benefits would accrue from links to the US dollar and exchange rate appreciation; while markets continued to look attractive following the Mexican crisis.**

### FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

| NATIONAL AND REGIONAL MARKETS | TUESDAY JUNE 6 1995 | | | | | | | | MONDAY JUNE 5 1995 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 52 week High | 52 week Low | Year ago (approx) |
| Australia (83) | 167.12 | 0.9 | 156.05 | 90.04 | 123.27 | 154.32 | 0.3 | 4.07 | 165.58 | 153.95 | 68.60 | 121.16 | 153.90 | 180.62 | 157.85 | 173.65 |
| Austria (26) | 194.04 | −1.8 | 181.18 | 104.55 | 143.13 | 142.94 | −1.1 | 1.24 | 187.70 | 183.81 | 105.78 | 144.66 | 144.47 | 198.69 | 167.46 | 167.46 |
| Belgium (35) | 193.62 | −1.4 | 180.79 | 104.32 | 142.82 | 139.09 | −0.5 | 3.76 | 196.40 | 182.60 | 105.03 | 143.71 | 139.74 | 201.12 | 161.66 | 165.51 |
| Brazil (28) | 140.86 | −3.6 | 131.62 | 75.95 | 103.98 | 234.95 | −3.3 | 1.42 | 146.26 | 135.98 | 78.25 | 107.01 | 242.97 | – | – | – |
| Canada (102) | 141.26 | 0.2 | 131.90 | 76.11 | 104.19 | 141.13 | 0.4 | 2.51 | 140.94 | 131.04 | 75.41 | 103.13 | 140.51 | 141.82 | 120.54 | 130.92 |
| Denmark (33) | 280.69 | −0.6 | 262.09 | 151.23 | 207.04 | 211.08 | 0.2 | 1.50 | 282.28 | 262.45 | 151.04 | 206.54 | 210.66 | 287.44 | 236.81 | 247.88 |
| Finland (24) | 213.35 | −0.5 | 199.21 | 114.95 | 157.37 | 194.39 | 0.3 | 1.59 | 214.34 | 199.28 | 114.68 | 156.83 | 193.72 | 214.68 | 133.88 | 143.48 |
| France (101) | 186.01 | −1.1 | 173.68 | 100.22 | 137.20 | 145.09 | −0.2 | 3.06 | 188.05 | 174.84 | 100.62 | 137.59 | 145.32 | 191.17 | 157.79 | 168.46 |
| Germany (59) | 156.98 | −0.3 | 146.58 | 84.58 | 115.79 | 115.79 | 0.5 | 2.05 | 157.53 | 146.46 | 84.29 | 115.26 | 115.26 | 157.69 | 132.08 | 137.42 |
| Hong Kong (55) | 371.26 | −0.9 | 346.68 | 200.04 | 273.87 | 368.71 | −0.8 | 3.70 | 374.82 | 348.49 | 200.55 | 274.26 | 372.19 | 416.42 | 277.40 | 385.66 |
| Ireland (16) | 229.58 | −0.3 | 214.37 | 123.70 | 169.35 | 199.82 | 0.2 | 3.58 | 230.30 | 214.12 | 123.22 | 168.51 | 199.51 | 230.53 | 181.23 | 181.23 |
| Italy (58) | 75.62 | −0.5 | 70.61 | 40.75 | 55.78 | 92.37 | 0.3 | 1.84 | 75.98 | 70.64 | 40.65 | 55.59 | 92.14 | 68.22 | 65.45 | 86.92 |
| Japan (483) | 148.96 | −2.1 | 140.03 | 80.80 | 110.62 | 80.80 | −1.4 | 0.93 | 153.11 | 142.35 | 91.92 | 112.03 | 81.92 | 170.10 | 136.95 | 158.26 |
| Malaysia (97) | 559.68 | −0.4 | 522.60 | 301.55 | 412.84 | 525.48 | −1.0 | 1.55 | 561.98 | 522.48 | 300.68 | 411.18 | 530.97 | 594.76 | 398.16 | 453.74 |
| Mexico (18) | 965.32 | 0.5 | 901.35 | 520.09 | 712.03 | 6459.22 | −1.1 | 2.08 | 960.62 | 893.11 | 513.66 | 702.87 | 6527.54 | 2414.12 | 647.81 | 2121.06 |
| Netherland (19) | 248.25 | −0.9 | 231.80 | 133.75 | 183.12 | 179.78 | 0.0 | 3.51 | 250.49 | 232.89 | 134.02 | 183.28 | 179.60 | 252.34 | 194.56 | 199.18 |
| New Zealand (14) | 82.58 | −0.1 | 77.10 | 44.48 | 60.91 | 65.32 | −0.4 | 4.58 | 82.63 | 76.82 | 44.21 | 60.46 | 65.59 | 84.31 | 64.00 | 70.60 |
| Norway (33) | 221.29 | −0.5 | 206.62 | 119.22 | 163.22 | 189.46 | 0.5 | 2.23 | 222.40 | 206.77 | 119.00 | 162.73 | 188.62 | 230.07 | 177.53 | 190.02 |
| Singapore (44) | 407.36 | −1.7 | 380.37 | 219.48 | 300.48 | 261.69 | −1.4 | 1.64 | 414.26 | 385.15 | 221.65 | 303.11 | 265.54 | 414.26 | 313.84 | 341.41 |
| South Africa (61) | 348.53 | 0.5 | 325.43 | 187.79 | 257.08 | 280.20 | 0.5 | 2.48 | 346.92 | 322.54 | 185.62 | 253.84 | 278.86 | 363.22 | 261.43 | 262.58 |
| Spain (38) | 148.22 | −0.6 | 138.40 | 79.86 | 109.33 | 168.66 | −0.1 | 4.13 | 149.18 | 138.69 | 79.82 | 109.15 | 137.05 | 151.79 | 124.10 | 143.61 |
| Sweden (48) | 264.67 | −0.4 | 247.13 | 142.60 | 195.23 | 283.25 | −0.4 | 2.11 | 265.84 | 247.16 | 142.24 | 164.52 | 284.39 | 265.84 | 196.70 | 218.78 |
| Switzerland (48) | 196.67 | −0.9 | 183.63 | 105.96 | 145.06 | 142.77 | 0.2 | 1.80 | 198.46 | 184.51 | 106.19 | 145.21 | 142.42 | 188.86 | 155.05 | 160.15 |
| Thailand (46) | 174.15 | −0.8 | 162.61 | 93.83 | 128.48 | 166.85 | −0.5 | 2.62 | 175.26 | 162.95 | 93.77 | 128.24 | 167.74 | – | – | – |
| United Kingdom (203) | 217.60 | −0.3 | 203.18 | 117.24 | 160.51 | 203.18 | 0.1 | 4.11 | 216.27 | 202.93 | 116.79 | 159.71 | 202.93 | 218.27 | 191.11 | 195.58 |
| USA (506) | 219.11 | 0.0 | 204.59 | 118.05 | 161.62 | 219.11 | 0.0 | 2.63 | 219.15 | 203.75 | 117.25 | 160.35 | 219.15 | 219.15 | 180.55 | 187.26 |
| Americas (654) | 200.78 | 0.0 | 187.47 | 108.17 | 148.09 | 168.42 | 0.0 | 2.51 | 200.86 | 186.75 | 107.47 | 146.97 | 168.46 | – | – | – |
| Europe (739) | 189.39 | −0.6 | 176.84 | 102.04 | 139.69 | 160.03 | 0.1 | 3.12 | 190.51 | 177.12 | 101.93 | 139.40 | 159.89 | 190.51 | 160.59 | 164.80 |
| Nordic (136) | 253.57 | −0.5 | 236.77 | 136.62 | 187.04 | 225.65 | −0.1 | 1.93 | 254.77 | 236.67 | 136.32 | 186.42 | 225.83 | 254.77 | 197.70 | 206.50 |
| Pacific Basin (822) | 160.37 | −1.8 | 149.74 | 86.40 | 118.29 | 92.32 | −1.2 | 1.30 | 163.26 | 151.79 | 87.35 | 119.46 | 93.48 | 176.86 | 145.93 | 166.65 |
| Euro-Pacific (1561) | 172.36 | −1.2 | 160.94 | 92.88 | 127.13 | 117.57 | −0.6 | 2.13 | 174.51 | 162.25 | 93.37 | 127.68 | 118.33 | 178.33 | 154.73 | 165.84 |
| North America (608) | 214.29 | 0.0 | 200.09 | 115.45 | 158.06 | 213.83 | 0.0 | 2.62 | 214.30 | 199.24 | 114.68 | 168.80 | 213.83 | 214.30 | 178.83 | 183.76 |
| Europe Ex. UK (536) | 170.00 | −0.8 | 158.74 | 91.59 | 125.40 | 135.82 | 0.1 | 2.56 | 171.29 | 159.25 | 91.65 | 125.33 | 135.72 | 171.29 | 144.12 | 149.43 |
| Pacific Ex. Japan (339) | 258.83 | −0.4 | 242.81 | 139.99 | 191.66 | 228.33 | −0.7 | 3.11 | 260.79 | 242.48 | 139.64 | 190.92 | 229.84 | 273.13 | 211.19 | 249.15 |
| World Ex. US (1770) | 173.05 | −1.2 | 161.58 | 93.24 | 127.84 | 121.17 | −0.6 | 2.15 | 175.10 | 162.79 | 93.69 | 128.12 | 121.91 | 178.73 | 155.42 | 165.87 |
| World Ex. UK (2073) | 183.99 | −0.6 | 171.80 | 99.13 | 135.72 | 144.45 | −0.5 | 2.13 | 185.46 | 172.43 | 99.23 | 135.70 | 145.10 | 187.07 | 163.46 | 171.35 |
| World Ex. Japan (1793) | 208.19 | −0.3 | 194.38 | 112.17 | 153.56 | 194.18 | 0.0 | 2.83 | 208.74 | 194.07 | 111.68 | 152.73 | 184.24 | 208.74 | 176.74 | 182.35 |
| The World Index (2276) | 186.93 | −0.6 | 174.54 | 100.71 | 137.88 | 149.49 | −0.4 | 2.33 | 188.35 | 175.10 | 100.77 | 137.80 | 150.07 | 189.27 | 165.92 | 172.63 |


CONSTITUENT CHANGE 7/6/95: Name change: United Newspapers to United News & Media (UK). Latest prices were unavailable for this edition.

EUROPE

# Thyssen downgrade upsets Frankfurt

The Continent's bourses saw an uneven day's trading.

FRANKFURT slipped slightly in thin trade after Thyssen was downgraded by a number of institutions following an analysts' meeting on Tuesday.

The Dax index closed the official session down 5.33 at 2,141.07 and the Ibis-indicated index ended at 2,136.72.

BZW was among those downgrading the steel and engineering group, cutting its 1996 eps forecast to DM26 from DM33.

On the Ibis, Thyssen shares were marked at DM266.00, after finishing at DM270.40, down DM3.50 or 1.3 per cent.

Volkswagen was also a feature on news that the European Commission was investigating the Pta38bn in subsidies granted by the Spanish government to its Seat division. The shares fell DM4 to DM398.

PARIS was moderately firmer, although investors remained cautious as they awaited details of the government's mini budget. The CAC-40 index moved ahead 8.75 to 1,974.69 in turnover of FFr3.4bn.

Suez remained the focus of attention on rumours that BNP might still mount a takeover bid, and that Suez was considering a link-up with Pinault, the retailing group.

Suez rose FFr11.50 to FFr272.50, Pinault gained FFr8 to FFr1,053 and BNP gained FFr1.30 to FFr255.70. UAP, also rumoured to be after Suez in conjunction with BNP, firmed 80 centimes at FFr145.70.

Renault was on the downside, off FFr1 to FFr167, but Peugeot advanced FFr4 to FFr727.

ZURICH remained on an upward path, supported by the outlook for lower interest rates, although worries that weakness in the US economy could feed through to further declines in the dollar kept a cap on investors' enthusiasm. The SMI index strengthened 9.9 to 2,819.6.

Zurich Insurance remained in demand, adding SFr35 at SFr1,464 on buy recommendations and positive press comment. Winterthur Insurance gained SFr7 at SFr765 and Swiss Re shed SFr3 to SFr922 on profit-taking after Tuesday's sharp gains.

Holvis, the non-woven textiles and paper distribution group, picked up another SFr7 to SFr514 as the market awaited a decision, promised after the market closed, from the bourse commission inquiring into the takeover battle. Analysts commented that the further increase in the price suggested that the market expected a higher offer than BBA's 500 a share bid.

MILAN retreated in low volume trade, weighed down by a weakening lira, and the Comit index lost 5.89 to 624.11. Foreigners were said to have remained absent, awaiting the outcome of Sunday's referendum on television ownership which many believe could seal the political fate of Mr Silvio Berlusconi.

Fiat again pressured the market, losing another L47 to L6,176 in continued response to last Friday's news of lower than expected first quarter operating margins. Against the trend, Montedison picked up L14 to L1,159 in reply to a more optimistic view being taken by some brokerages.

AMSTERDAM was influenced by the bond market in a quiet session. The AEX index fell 0.54 to 434.69 after a high of 436.24.

KLM rose 70 cents to Fl 51.30, ahead of today's results. Hoogovens was among the session's worst performers, off Fl 1.40 to Fl 60.80, although brokers were undecided as to what had caused the sharp movement. KPN was also weak, down Fl 1.30 at Fl 55.20.

HELSINKI was boosted by strength in metals, which represented a third of total market volume, after sharply better than expected results from Outokumpu in the first four months of the year. The Hex index rose 7.8 to 1,886.2 as Outokumpu jumped FM2.80 to FM71.50, lifting the metal and engineering sub index by 1.6 per cent. Rautaruukki added FM0.80 to FM32 after announcing a major investment to boost its steel capacity.

OSLO saw volume inflated hy the trading of Orkla A shares. The composite index eased 0.41 to 678.06 as Hartog, a subsidiary of the Norwegian Tiedemann Industry group sold 1.2m Orkla shares from its portfolio, representing 2.5 per cent of total shares in the food-based conglomerate. The shares dipped NKr2 to NKr264.

VIENNA was flat as the market consolidated after four weeks of solid gains and the ATX index rose just 9.29 to 1,042.79. Lenzing rose Sch24 to Sch940 on press reports that a Far East investor was about to buy into the company.

**Written and edited by Michael Morgan and John Pitt**

### FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

| Jun 7 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1375.41 | 1375.93 | 1377.31 | 1376.62 | 1376.54 | 1376.02 | 1375.85 | 1374.76 |
| FT-SE Eurotrack 200 | 1464.80 | 1466.45 | 1466.36 | 1465.83 | 1465.66 | 1465.68 | 1464.08 | 1462.94 |

| | Jun 6 | Jun 5 | Jun 2 | Jun 1 | May 31 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1377.53 | 1375.78 | 1372.38 | 1374.90 | 1354.50 |
| FT-SE Eurotrack 200 | 1465.46 | 1461.39 | 1458.70 | 1465.21 | 1442.07 |

Base 1000 (26/10/90); High/day: 100 - 1377.42; 200 - 1467.04 Low/day: 100 - 1374.67 200 - 1462.38 † Partial

ASIA PACIFIC

# Nikkei steady as Kuala Lumpur drops 2.1%

### Tokyo

Activity declined ahead of tomorrow's futures and options settlements, but shares received support from small-lot buy orders from institutions, and the Nikkei index closed marginally higher, *writes Emiko Terazono in Tokyo.*

The 225 average was ahead 18.63 at 15,679.62 after a low of 15,557.10 and a high of 15,734.02. Technical trading dominated activity, while a fall in speculative stocks, which had risen on individual buying over the past few days, weighed on sentiment. Late afternoon purchasing by institutional investors finally lifted the index.

Volume was 231m shares, against 224m. The Topix index of all first section stocks lost 0.90 at 1,263.34 and the Nikkei 300 gained 0.41 at 235.59. Declines outscored advances by 590 to 351, while 206 issues were unchanged. In London the ISE/Nikkei 50 index slipped 2.57 to 1,044.92.

Corporate investors took profits ahead of Friday's release of the quarterly Tankan report on business sentiment by the Bank of Japan. Investors grew increasingly cautious on reports that private economists expect the survey to indicate a deterioration in business confidence due to the yen's appreciation against the dollar.

Speculative issues led trading on active profit-taking by individuals. Maruyama, the most active issue of the day, fell Y58 to Y597, while Tamura Electric Works dipped Y30 to Y1,010. Traders said individuals had switched to Tsumura, a drug company, which rose Y50 to Y1,670.

Steel makers were lower on foreign selling. European institutions took profits on Nippon Steel, Y3 lower at Y301. NKK also lost Y3, at Y209.

High-technology stocks gained ground on bargain hunting. NEC firmed Y1 to Y904, Fujitsu Y3 to Y805 and Sony Y60 to Y4,180. Oki Electric Industry retreated Y5 to Y498 on technical selling.

Sharp receded Y20 to Y1,140 on selling by overseas investors and banks. Traders said investors were discouraged by the rise in competition in the liquid crystal display market from South Korean manufacturers and the slowing of the US economy.

In Osaka, the OSE average fell 96.94 to 16,791.72.

### Roundup

Regional markets put in mixed performances.

KUALA LUMPUR dropped 2.1 per cent, depressed by heavy profit-taking in blue chips, and the composite index ended 22.72 lower at 1,057.80 in turnover of 151m shares.

Dealers attributed the day's selling to profit-taking by overseas funds but added that robust GDP figures, released after the market's close, are likely to boost the index today.

Tenaga and Telekom, which the market believes are potential candidates for the issue of call warrants, fell prey to profit-taking. Telekom declined M$1 to M$19.50 and Tenaga 30 cents to M$10.60.

HONG KONG tumbled 1.2 per cent but was off the day's lows in shrinking volume, as the market digested its steep gains of last week.

The Hang Seng index lost 115.25 at 9,362.58 in turnover that dipped to HK$4bn from Tuesday's HK$4.4bn.

SEOUL finished flat after selling pressure, which loomed as the composite index topped the psychological 900 level, wiped out most of early gains.

The composite index ended just 0.32 higher at 899.36 after touching 904.94.

Posco, the steelmaker, and Kepco, the nuclear reactor operator, rose after North Korea said that it had reached basic agreement in talks with the US aimed at restructuring Pyongyang's nuclear programme. Both are expected to benefit if Pyongyang agreed to allow Seoul companies to take part in the project. Posco appreciated Won600 to Won65,000 and Kepco added Won100 at Won29,100.

SYDNEY was easier but above the day's lows after comments from the Reserve Bank of Australia governor that it was too soon to cut interest rates in response to the slowdown in the economy.

The All Ordinaries index finished 4.5 lower at 2,015.6, after the governor's comments had triggered an early sell-off of bonds and shares.

TAIPEI saw late profit-taking erode early gains and the weighted index ended just 3.27 up at 5,681.58 after an intraday high of 5,743.50. Turnover was a moderate T$38bn.

The market's initial rise followed Tuesday's announcement of lower than expected inflation figures.

BANGKOK was spurred higher by late, foreign institutional-led buying of finance and banking issues after spending most of the day in negative territory.

The SET index closed 5.17 up at the day's high of 1,402.39 after falling as low as 1,380.58.

MANILA slipped 1.33 per cent in what brokers described as a welcome and healthy correction after a six-day advance.

The composite index fell 38.48 to 2,838.85. Philippine National Bank led losers, dipping 2.9 per cent to 330 pesos.

### SOUTH AFRICA

Late bullion gains provided support for equities in a slow session. Investors were holding back ahead of President Nelson Mandela's address to parliament. Brokers said foreign investors were relnctant to buy with political tension running high. The overall index was 8.8 softer at 5,535.6, the industrials index lost 8.9 at 6,960.4 and the gold shares index collected 6.6 at 1,387.6.